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Supreme Court, U.S.
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No. 09-174

In The
Supreme Court of the United States

ANDREW D. GLOGOWER,
Petitioner,

v.

SHARON P. CLARK, LIQUIDATOR OF NATIONAL BUSINESS ASSOCIATION TRUST AND NATIONAL BENEFIT ADMINISTRATORS,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITIONER'S REPLY BRIEF

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INTRODUCTION

Petitioner, Respondent, and Amicus Curiae agree that certiorari should be granted but otherwise disagree on virtually all aspects of this appeal. Respondent paints a picture of a "con artist" who "swindles innocent citizens seeking health insurance coverage" and who "create[s] an. . . administrative fee. . . to escape his fiduciary duties to the policyholders" (Opposition, p. 34). These assertions not only are directly controverted by the record, (Petition, Appendix I), but appear calculated to influence the ultimate outcome of these proceedings by inappropriately tying Petitioner to recent well-publicized instances of financial fraud. More to the point, these inflammatory statements fail to address the split among the Circuits in the proper interpretation and application of 11 U.S.C. § 523(a)(4).

Respondent and Amicus Curiae consistently overstate the significance of underlying State Court findings, unnecessarily arguing for deference to the Kentucky Court. Respondent and Amicus Curiae jump from the Kentucky State Court's finding that NBA and NBAT are one entity – a determination made solely in the context of consolidated administration under Kentucky state insurance law – to the conclusion that there is an express trust sufficient to satisfy 11 U.S.C. § 523(a)(4). But to make that leap is to apply the unduly broad view of fiduciary duty adopted by the Second, Fifth and Seventh Circuits, *see In re Hayes*, 183 F.3d 162, 167 (2nd Cir. 1999), *In re Davis*, 3 F.3d 113, 116 (5th Cir. 1993), *Marchiando v. State of Illinois*, 13 F.3d 1111 (7th Cir. 1994), while rejecting the stricter standard adopted by the Sixth, Ninth and Tenth Circuits, *see In re Garver*, 116 F.3d 176, 178 (6th

Cir. 1997), *In re Cantrell*, 329 F.3d 1119, 1126 (9th Cir. 2002), *In re Young*, 91 F.3d 1367 (10th Cir. 1996). The Petition thus squarely presents an issue requiring resolution of a split in authority among the Circuits.

The emphasis on the Kentucky state insurance regulations fails, moreover, to address the primacy of bankruptcy law over state regulatory law. The McCarran-Ferguson Act, relied on at length by Amicus Curiae, is a red herring. The Act does provide that a state insurance law will "preempt a conflicting federal law" (Amicus Brief, p. 10); 15 U.S.C. § 1012(b); but because the Act says nothing about discharge in bankruptcy, there is no inconsistency between the Bankruptcy Code and the Act and thus no issue of reverse preemption. The principles of federal primacy and uniformity mandate that dischargeability under 11 U.S.C. § 523(a)(4) be resolved solely by reference to federal bankruptcy law.

Petitioner urges this Court to disregard these prejudicial mischaracterizations and grant certiorari to (1) resolve the split among the Circuits regarding the nature of "defalcation in a fiduciary capacity" under 11 U.S.C. § 523(a)(4), (2) give effect to the fundamental principle of federal preemption of bankruptcy law, and (3) clarify and give continuing vitality to this Court's holding in *Chapman v. Forsyth*, 43 U.S. 202 (1844).

I. RESPONDENT'S BRIEF DEMONSTRATES AN IRRECONCILABLE SPLIT AMONG CIRCUITS, REQUIRING CORRECTIVE ACTION BY THIS COURT.

Respondent insists that because the Kentucky State Court found that NBA and NBAT were "one entity," it must follow that (1) the combined entity is an express trust and (2) any money paid from the combined entity was trust money. Any other interpretation, according to Respondent, fails to give "full faith and credit" to the Kentucky State Court Order. But the interpretation of 11 U.S.C. § 523(a)(4) urged by Respondent has been rejected in at least three Federal Circuits and cannot be reconciled with this Court's ruling in *Chapman*. Review is thus necessary to resolve a split among the Circuits and bring controlling law in line with this Court's prior rulings.

A. Under the Narrow View Adopted by this Court and the Sixth, Ninth and Tenth Circuits, Defalcation in a Fiduciary Capacity Within the Meaning of 11 U.S.C. § 523(a)(4) Requires an Express or Technical Trust That Pre-Exists the Act Creating the Debt.

More than 160 years ago, this Court held that denial of bankruptcy discharge for defalcation in a fiduciary capacity is permissible only where the debtor holds the money in a "technical trust." *Chapman,* 43 U.S. 202. Later, this Court confirmed that the limited scope of the § 523(a)(4) exception had been applied in the intervening years "with unbroken continuity." *Davis v. Aetna Acceptance Co.,* 293 U.S. 328, 333 (1934), citing *Neal v. Clark*, 95 U.S. 704 (1877); *Hennequin v. Clews*, 111 U.S. 676 (1884); *Noble v. Hammond,* 129 U.S. 65, 68 (1889); *Upshur v. Briscoe*, 138 U.S. 365 (1891). This Court further held that the debtor must have been a trustee before the wrong and without reference thereto. *Davis*, 293 U.S. at 333.

The Sixth, Ninth and Tenth Circuits clearly follow this Court's view, *Garver*, 116 F.3d at 178; *Cantrell*, 329 F.3d at 1126; *Young*, 91 F.3d at 1371 – 1372. For example, in *Cantrell*, the Ninth Circuit held that while corporate officers possess the fiduciary duties of an agent, they are not trustees with respect to corporate assets, because "although the debtor may have owed a general fiduciary duty as a corporate officer under state case law, no pre-existing or statutorily created trust existed at the time of the alleged wrongdoing [citation omitted]." 329 F.3d at 1127, see fn 5. These Circuits thus apply a two-prong test for defalcation under the Bankruptcy Code: (1) an express trust res, (2) that pre-existed the debt or wrongful act.

B. In Violation of this Court's Interpretation, the Second, Fifth and Seventh Circuits Define Fiduciary Duty in Terms of the Person Rather Than the Specific Debt.

The opposing view of "defalcation in a fiduciary capacity" is exemplified by the Second Circuit decision in *Hayes*, 183 F.3d 162. After the death of artist Andy Warhol, Attorney Edward Hayes was retained as counsel to the estate. Hayes later owed the Andy Warhol Foundation $1.35 million for overpayment of fees, and filed bankruptcy to discharge the obligation. The Foundation sought non-dischargeability under 11 U.S.C. § 523(a)(4). 183 F.3d at 165.

The bankruptcy court found that there was no "express or technical trust established between Debtor and the Foundation" and that Hayes was not "acting in a fiduciary capacity at the time he incurred his $1.35 million deficit to the Foundation." The district court

affirmed, holding that Hayes was not "a trustee of an 'express' or 'technical' trust." 183 F.3d at 165 -166.

The Second Circuit reversed, emphasizing "a difference in knowledge or power between fiduciary and principal." 183 F.3d at 167. The *Hayes* Court held that the restriction applied to the ***person*** rather than the ***particular debt,*** 183 F.3d at 167, noting that, while the attorney-client relationship does not typically involve a technical or express trust, the relationship "has long been understood to be a fiduciary relationship within the meaning of the defalcation exception." 183 F.3d at 168, citing *Marchiando,* 13 F.3d at 1115 ("[A] lawyer is deemed the fiduciary of his client [under § 523], even if he does not manage a fund entrusted to him by the client....").

C. The Overly-Broad View Espoused by the Second, Fifth and Seventh Circuits Leads to Anomalous Results.

As in *Hayes,* and implicitly following similar Fifth and Seventh Circuit authority, Respondent posits a fiduciary obligation applicable to Glogower as a ***person,*** rather than on the ***specific debt***. In so doing, Respondent demonstrates why and how the Circuit split is so insidious.

As President and CEO of the "one entity," Glogower acted in a "fiduciary capacity for the NBAT/NBA Express Trust over which he had general control and authority." (Opp. p. 27). Assuming this to be so, there is nevertheless no basis for § 523(a)(4) non-dischargeability, as Glogower's conduct did not violate any discernable provision of the trust. It is undisputed that the 20% Administrative Fee (from which

Glogower received payments) was properly segregated to pay expenses, such as rent, utilities, and salaries. (See App. F). Respondent blithely argues that it was a violation of the express trust for Glogower to pay himself from that fund. (Opp., p. 28). But this conclusion ignores the absence of any specific trust violation and flies in the face of this Court's holding in *Davis* that the trust relationship must exist independently of the alleged wrongful act.

To understand the fallacy in Respondent's reasoning, consider: At what point did the "express trust" require Glogower to stop paying himself from the 20% administrative fund? Was he entitled to draw his normal salary? Pay other employees' salaries? Was he permitted to pay rent? Utilities? The record provides no answers. More significantly, as there is nothing in any trust instrument addressing these issues, how could Glogower have known that the payments to himself were in breach of the terms of the trust? To characterize Glogower's conduct as defalcation in a fiduciary capacity is to create an undefined trust relationship retroactively and out of whole cloth.

Nor is the result sought by Respondent supportable by reference to ERISA. See 29 U.S.C.A. § 1001. Under ERISA, "a person is a fiduciary with respect to a plan to the extent (i) he exercises any discretionary authority or discretionary control respecting management of such plan or exercises any authority or control respecting management or disposition of its assets." (Opp., p. 13, citing 29 U.S.C. § 1002(21)(A)). Applying a Second Circuit *Hayes*-type analysis, Respondent in effect argues that because Glogower as a *person* was an ERISA fiduciary, the specific debt is

irrelevant to the inquiry. But this analysis leaves unanswered the questions posed above. Assuming that Glogower was an ERISA fiduciary, the question remains what were his obligations regarding the use and disposition of the 20% administrative fund. To conclude that, because he was an ERISA fiduciary, he committed an act of defalcation by authorizing a payment to himself is to ignore the *Davis* requirement of a pre-existing trust relationship and impose liability in the absence of any ascertainable standard of performance.

Blyler v. Hemmeter, 242 F.3d 1186, 1190 (9th Cir. 2001), relied upon by Respondent, holds that an ERISA fiduciary qualifies as a fiduciary within the meaning of § 523(a)(4). (Opp., pp. 31 – 32). But under *Hemmeter,* as under all cases that follow this Court and the Sixth, Ninth and Tenth Circuit view, the essence of defalcation is "a failure to produce funds entrusted to a fiduciary." 242 F.3d at 1191. Thus, the merely holding that statutory ERISA fiduciaries qualify as fiduciaries under § 523(a)(4) "does not end our inquiry." 242 F.3d at 1190. ERISA satisfies the traditional requirements for a statutory fiduciary to qualify as a fiduciary under § 523(a)(4) because it "imposes obligations on the fiduciary ***prior*** to the alleged wrongdoing." 242 F.3d at 1190, emphasis added.

The Sixth, Ninth and Tenth Circuits, in applying § 523(a)(4), properly require a pre-existing obligation, coupled with express, enunciated, trust terms; this

necessarily involves a mutual intent to create a trust.[1] The underlying policy is one of "fair warning" as to what acts would be non-dischargeable. Glogower was aware, as to the 80% fund set aside for payment of claims, that the funds constituted a trust *res* and could not be used for any other purpose. But what standard of conduct applied to the 20% Administrative Fee? Respondent argues that Glogower "misappropriated funds for his own personal use" from the 20% fund, stating that Glogower "admitted at trial" that he could have used the Administrative Fee "for a mortgage payment [or] . . . for washing the dog." (Opp., p. 28, fn 3). But Glogower was absolutely correct. With respect to the 20% Administrative Fee, he was not "a trustee before the wrong and without reference thereto." *Davis*, 293 U.S. at 333. Because the proper uses of the 20% fund are not determinable by reference to any trust agreement or other definable standard, Glogower had no way of knowing he could not pay himself from the 20% fee until he did it. And, because the bonus and loan payments were made to Glogower in 1989 and 1990, and the "one entity" order was not entered until May 10, 1991, Respondent's theory necessarily requires an after-the-fact imposition of a trust on these funds.

Nor, in the absence of explicit trust terms, could an express trust have been imposed on all money of NBA/NBAT simply by virtue of Glogower's status as a fiduciary. The underlying trust agreement requires

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[1] The Sixth Circuit standard is helpful, by describing the requirements to establish the existence of an express or technical trust: (1) an intent to create a trust; (2) a trustee; (3) a trust res; and (4) a definite beneficiary. *In re Blaszak*, 397 F.3d 386, 391 - 392 (6th Cir. 2005).

that the 80% fund be used to pay claims, but contains no such requirement as to the 20% remainder, leading unalterably to the conclusion that the 20% Administrative Fee was not required to be set aside to pay claims. (Petition, App. F). Respondent's theory, following the Second, Fifth and Seventh Circuits' interpretation of "defalcation in a fiduciary capacity," relies on an after-the-fact rationalization to justify the imposition of a trust over the 20% fund. The better analysis, following the Sixth, Ninth and Tenth Circuits' approach, complies with this Court's requirement that there be a trust prior to and without reference to the alleged wrong, is consistent with the terms of the operative trust instrument, and satisfies basic principles of fair notice.

D. It is Necessary and Appropriate That this Court Grant Certiorari to Resolve The Split Among Circuits.

Because the Constitution requires uniformity among bankruptcy laws throughout the country, Art. 1, §8, Cl. 4, this Court should grant certiorari to resolve the irreconcilable split among the Circuit Courts. *AT & T Corp. v. Hulteen,* 129 S.Ct. 1962, 1968 (2009).

II. THE OPPOSITION BRIEFS EMPHASIZE EXALTATION OF KENTUCKY STATE INSURANCE REGULATIONS OVER FEDERAL BANKRUPTCY LAW, IN VIOLATION OF THE BANKRUPTCY CLAUSE OF THE U.S. CONSTITUTION.

The theme of briefs by both Respondent and Amicus Curiae is deference to state insurance

regulation. The Amicus Brief insists that this case "implicates the primacy of the states in regulating insurance insolvency," and argues that the McCarran-Ferguson Act results in "reverse preemption" of state insurance laws over federal laws. (Amicus Brief, pp. 3, 10). But this is a red herring; there is no inconsistency between the McCarran-Ferguson Act and the Bankruptcy Code and nothing in the Act that addresses discharge in bankruptcy.

The McCarran-Ferguson Act, 15 U.S.C. §§ 1011-1015, provides that "[n]o Act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any State for the purpose of regulating the business of insurance ...." See 15 U.S.C. § 1012(b). The purpose of the Act is declared in 15 U.S.C. § 1011 as "continued regulation and taxation by the several States of the business of insurance is in the public interest." The law was enacted to ensure that the States would have the ability to tax and regulate the business of insurance. *Group Life & Health Ins. Co. v. Royal Drug Co.*, 440 U.S. 205, 217-218 (1979).

The Amicus Brief argues that "the states have clear authority [under the Act] to regulate the business of insurance." (Amicus Brief, pp. 6 – 14). But the discharge provisions of the Bankruptcy Code do not offend such regulatory authority. The "fresh start" policy of the Bankruptcy Code, *Grogan v. Garner*, 498 U.S. 279, 286 (1991), transcends statutory and regulatory schemes; indeed, the purpose of discharge is to relieve a debtor of otherwise valid and enforceable debts. See *Local Loan Co. v. Hunt*, 292 U.S. 234, 243-244 (1934). The expressed policy of the McCarran-Ferguson Act has nothing to do with whether a debt incurred under color of State insurance law is subject

to discharge under the Bankruptcy Code. In no realistic sense, therefore, do the discharge exception rules of 11 U.S.C. § 523 displace, pre-empt or take over the States' prerogatives regarding taxation and regulation of the insurance business.

Significantly, as to 11 U.S.C. § 523(a)(4) "there is no specific state law conflicting with federal bankruptcy law." (Amicus Brief, p. 9). Neither the McCarran-Ferguson Act nor Kentucky state insurance regulations addresses dischargeability under the Bankruptcy Code. Nor could there be a state law regulating dischargeability, because the right to a discharge is decided under federal law alone, *Matter of Armstrong*, 931 F.2d 1233 (8th Cir. 1991), and the issue of non-dischargeability is to be determined by the bankruptcy court, with reference to federal law. See *Brown v. Felsen*, 442 U.S. 127 (1979). Under the Bankruptcy Clause, moreover, the policies and fundamentals of the Bankruptcy Code override any state law and any underlying state court determination of liability in the first instance. See *Kalb v. Feuerstein*, 308 U.S. 433, 438-439 (1940).

The relevant inquiry, in this context, is thus not whether Glogower is liable under Kentucky state insurance law for the Bonus and Loan Payments; the question is whether an otherwise valid debt is subject to discharge under the Bankruptcy Code. Liability and dischargeability are two entirely different concepts; in every case of dischargeability there is an underlying debt to be discharged. Dischargeability is determined, without deference to the law of any State, by reference to appropriate provisions of the Bankruptcy Code as implemented by the Federal Courts. *Brown*, 442 U.S. at 136 – 137.

11 U.S.C. § 727 provides, in mandatory terms, that Chapter 7 debtors are entitled to a discharge, except for reasons set forth specifically in § 523. Given the overriding principle of federal preemption, Const., Art. 1, §8, Cl. 4, these statutory provisions necessarily preclude any action that would frustrate the right of a debtor to discharge solely by reference to state insurance regulations. There is nothing in Kentucky law, or in the McCarran-Ferguson Act, that would authorize or permit a state insurance department to overrule and rewrite Federal bankruptcy law. Such a result would violate the Bankruptcy Clause, which provides that the power of Congress to establish uniform bankruptcy laws is unrestricted and paramount. Art. I, §8, Cl. 4; *International Shoe v. Pinkus,* 278 U.S. 261 (1929).

CONCLUSION

It is therefore requested that this Court grant certiorari.

RESPECTFULLY SUBMITTED this 26th day of October, 2009.

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ON PETITION FOR WRIT OF CERTIORARI
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PETITION FOR WRIT OF CERTIORARI

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Questions Presented

The United States Court of Appeals for the Federal Circuit disposed of petitioner's first appeal with a one-word judgment of affirmance.

The Federal Circuit designated its one-word decision "nonprecedential," thereby frustrating the possibility of meaningful further review by that court because of its stated policy that "[a] petition for rehearing *en banc* is rarely appropriate if the appeal was the subject of a nonprecedential opinion by the panel of judges that heard it." Fed. Cir. R. 35, Practice Notes.

This action of the Federal Circuit deepens a conflict between the circuits, frustrates the purpose of the false advertising provision of the Lanham Act to protect the consumer, and gives rise to two questions of constitutional import:

1. In an action for false advertising brought under the Lanham Act, does the Seventh Amendment right to a jury trial permit a district court to rule on the nature of the accused statement (i.e., false v. misleading)* as a matter of

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* The Sixth Circuit recognizes three categories of factual statements as actionable under the Lanham Act: (1) "literally false" statements, (2) "literally true, yet deceptive" statements, and (3) statements that are "too ambiguous to support a finding of literal falsity." *American Council of Certified Podiatric Physicians and Surgeons v. American Board of Podiatric Surgery, Inc.*, 185 F.3d 606, 614 (6th Cir. 1999). The proof required to establish a violation for statements that fall in either the second or third categories is the same. *Id.*

law, thereby taking that fact-intensive inquiry away from the jury, when:

a. determinations of the meaning, and not just the truthfulness of advertising statements, were issues tried to a jury at common law; and

b. Petitioner Wayne Dalton Corp. presented the district court with substantial evidence from which a jury could find that Respondent Amarr Company's advertisements were false?

2. Does the Federal Circuit's practice of disposing of appeals with one-word judgments of affirmance and designating them as "non-precedential" violate one or more of the following articles or amendments of the Constitution: Article III, Amendment I, and Amendment V?

Rule 29.6 Statement

The caption contains the names of all parties that appeared in the Federal Circuit. Petitioner Wayne-Dalton Corp. has no parent corporations, and no publicly held company owns 10% or more of Wayne-Dalton Corp.'s stock.

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Opinions Below

The opinion of the Federal Circuit was issued on March 31, 2009, and was not selected for publication in the Federal Reporter. That opinion is available at 318 Fed. Appx. 906, and is reproduced in the appendix hereto ("App.") at App. 1. The order of the Federal Circuit denying Wayne-Dalton's request for panel rehearing and rehearing *en banc* is unreported and is reproduced at App. 71.

Opinions of the district court were issued on January 23, 2008, April 29, 2008, and August 14, 2008, and were not reported. Those opinions are reproduced at App. 40, App. 27, and App. 4, respectively.

Jurisdiction

The judgment of the Federal Circuit was entered on March 31, 2009. App. 1. The Federal Circuit denied Petitioner Wayne-Dalton's combined petition for panel rehearing and rehearing *en banc* in its order dated June 1, 2009. App. 71. The jurisdiction of the Federal Circuit was based on 28 U.S.C. §§ 1331 and 1338(a). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

Constitutional and Statutory Provisions Involved

United States Constitution, Art. III, § 1, cl. 1

The judicial power of the United States, shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish.

United States Constitution, First Amendment

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the government for a redress of grievances.

United States Constitution, Fifth Amendment

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a grand jury, except in cases arising in the land or naval forces, or in the militia, when in actual service in time of war or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

United States Constitution, Seventh Amendment

In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any court of the United States, than according to the rules of the common law.

United States Code, Title 15, Section 1125(a)(1)

(a) Civil Action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Federal Circuit Rule 32.1(a)

Disposition of Appeal, Motion, or Petition. Disposition of an appeal may be announced in an opinion; disposition of a motion or petition may be announced in an order. An appeal may also be disposed of in a judgment of affirmance without opinion pursuant to Federal Circuit Rule 36. A nonprecedential disposition shall bear a legend designating it as nonprecedential. A precedential disposition shall bear no legend.

Federal Circuit Rule 32.1(b)

Nonprecedential Opinion or Order. An opinion or order which is designated as nonprecedential is one determined by the panel issuing it as not adding significantly to the body of law.

Federal Circuit "Practice Note" Accompanying Federal Circuit Rule 35

Nonprecedential Opinions. A petition for rehearing *en banc* is rarely appropriate if the appeal was the subject of a nonprecedential opinion by the panel of judges that heard it.

Federal Circuit Rule 36

Entry of Judgment – Judgement of Affirmance Without Opinion

The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following conditions exist and an opinion would have no precedential value:

(a) the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous;

(b) the evidence supporting the jury's verdict is sufficient;

(c) the record supports summary judgment, directed verdict, or judgment on the pleadings;

(d) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or

(e) a judgment or decision has been entered without an error of law.

Statement of the Case

Overview

Argument I: The Decisions of the Lower Courts Deepen a Conflict Between the Circuits, Violate Wayne-Dalton's Seventh Amendment Right to a Jury Trial, and Frustrate the Consumer Protection Purpose of the Lanham Act

"Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care." *Dimick v. Schiedt*, 293 U.S. 474, 486 (1935). A "court errs if it substitutes itself for the jury, and, passing upon the effect of the evidence, finds the facts involved in the issue, and renders judgment thereon." *Baylis v. Travellers' Ins. Co.*, 113 U.S. 316, 320-321 (1885). Although the case before this Court merits such scrutiny, it has yet to receive it—with this Court being the last bastion for justice.

The district court, following the Sixth Circuit's departure from other circuits, treated the nature of an accused advertising statement as a matter of law, substituted itself for the jury, passed upon the effect of the evidence, and found facts involved in the issue and rendered judgment thereon—all of which led to the absurd result that a garage door having panel

interfaces which admit fingers to the extent that they can be crushed or severed is legally entitled to be advertised as "pinch resistant."

A Panel of the Federal Circuit, with a one-word judgment—and therefore without demonstrating it applied the appropriate *de novo* standard of review—affirmed the district court's grant of summary judgment to Amarr on Wayne-Dalton's claim for false advertising, further labeling its judgment "nonprecedential." By that one-word judgment and label, the Panel of the Federal Circuit indicated that it had determined the grant of summary judgment had been entered "without an error of law."[1] Thus, by its actions, the Federal Circuit affirmed a standard for the determination of the nature of an accused advertising statement, which converts a question of fact into a question of law, in violation of Wayne-Dalton's Seventh Amendment right to a trial by jury on this issue.

By its actions, the Federal Circuit has deepened a conflict between the law of the Sixth Circuit and that of at least the First, Second, Fourth and Seventh Circuits.

By its actions, the Federal Circuit has frustrated the consumer protection purpose of the false advertising provision of the Lanham Act, and

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[1] Petitioner Wayne-Dalton had argued on appeal both that the district court had erred as a matter of law, and that the district court had abused its discretion. As such, we must assume that the Federal Circuit, in affirming the district court's grant of summary judgment, found that the judgment had been entered without an error of law. Federal Circuit Rule 36(e).

indeed, given the factual circumstances in this case, has left consumers with the risk of serious hand injury.

Argument II: Nonprecedential Decisions are Unconstitutional

The district court's analysis of the factual and legal issues in this case spanned nearly fifty pages. App. 4-70. The Federal Circuit, in contrast, disposed of Wayne-Dalton's appeal with just one word in its March 31, 2009 Order ("the decision"). App. 1. The decision bears the legend "NOTE: This disposition is nonprecedential" and was not selected for publication in the *Federal Reporter*, thereby making it a so-called "unpublished" opinion.[2] App. 1. The decision was not signed by a judge from the Panel that decided the case, but rather was signed with the electronic signature of the Federal Circuit's Clerk ("/s/ Jan Horbaly"). App. 1.

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[2] Notwithstanding, the decision is available in West Publishing's *Federal Appendix*, the case law reporter containing the judicial opinions of the United States courts of appeals that have not been selected for publication. Thus, this petition is not concerned with the fiction that the decision is "unpublished." And because of Federal Rule of Appellate Procedure 32.1, this petition is not concerned with the recent practice of prohibiting *citation* to "nonprecedential" opinions. The petition is concerned, however, with the Federal Circuit's conclusion that the decision is somehow "nonprecedential."

Facts

Petitioner Wayne-Dalton Corp. ("Wayne-Dalton") and Respondent Amarr Company ("Amarr") are competitors in the garage door industry. In the late 1990's, the United States Consumer Product Safety Commission urged the industry to develop a "pinch resistant" garage door to address an identified public safety issue—the serious injuries that occur when fingers are inserted into the joints or interfaces between panels as the door is moved between open and closed positions. Wayne-Dalton was the first to develop and advertise a "pinch resistant" door, for which, in 1998, it was awarded the CPSC "Chairman's Commendation for Significant Contributions in Product Safety...for innovative garage door design that will help prevent injury to consumers." To compete, Amarr followed with a single door in 1999, and soon undertook the development and promotion of *an entire line* of pinch resistant doors.

Amarr has since used the term "pinch resistant" in virtually all of its advertising. The advertisements have been set in the context of various words, phrases and illustrations giving further life and meaning to the term, including: an image of a person's fingers positioned safely near the intersection of two adjacent garage door panels, the trademarked phrase "DuraSafe" in the text, a "DuraSafe" logo, "exceeding industry standards," "neither fingers nor weather gets in," "assures pinch-resistance both inside and out," a photo of a little girl or children, "inspired by the little things, little hands," "meet the inspiration behind our DuraSafe

system," "no room for even the smallest fingers," "designed to reduce the risk of serious finger and hand injuries," "pinch resistant technology that was developed to help keep fingers from getting pinched between sections when the door is closing," and "meet[s] future DASMA 116 requirements." While the advertising context used in association with the term "pinch resistant" varied over time, the term "pinch resistant" and associated message have been consistent.

Amarr's advertisements targeted ultimate consumers (usually homeowners), dealers, and big box retailers such as Lowe's. In most cases, Amarr's dealers adopted Amarr's advertising phrases and its imagery, verbatim. Lowe's adopted advertising prepared by Amarr following a presentation by Amarr in which it touted "pinch resistant" as its products' number one feature –a feature that would allow Lowe's to differentiate from its primary competitor, Home Depot.

The relevant "industry standard" touted to have been "exceed[ed]" within the context of Amarr's advertising is DASMA 116. Amarr actively participated in the development of this objective metric for assessing the "pinch resistant" feature of garage doors, voluntarily adopted it, and then identified it as having been "exceed[ed]" in its advertising. Even if consumers know little, if anything, about DASMA 116, they know the meaning of "pinch resistant" from the host of advertising phrases and images used by Amarr (i.e., the context), and that there is an industry standard

relating to "pinch resistant"—and that Amarr's doors exceed it.

Nineteen Amarr doors were tested from August 25, 2005, through July 2006. Each failed to satisfy the objective criteria of DASMA 116. Further, the joint or panel interfaces of each fully admitted the fingers of an adult, where they could not only be pinched, but crushed or severed. This is inconsistent with the meaning of "pinch resistant" conveyed by that term *in the context* of Amarr's advertisements. A panel joint of Amarr's "pinch resistant" door is shown below as fully accepting insertion of adult fingers to the extent that they could be crushed or severed:

District Court Proceedings

On July 21, 2006, Wayne-Dalton filed its complaint against Amarr under the Lanham Act, Title 15, United States Code, § 1125(a)(1)(B),

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charging Amarr, in part, with false advertising of at least certain of its garage doors, claiming them as complying with Standard 116 of DASMA, being "pinch resistant," "child safe" and having "finger protecting panels." Wayne-Dalton's prayer for relief pertaining to its false advertising claim included a request for an award of damages (to be trebled), corrective advertising, and an injunction.

On January 23, 2008, the district court granted, in part, Amarr's motion for summary judgment on Wayne-Dalton's false advertising claim, denied Wayne-Dalton's motion for summary judgment on Amarr's liability for literal false advertising, and granted Amarr's motion for summary judgment on Wayne-Dalton's inability to recover damages for its false advertising claim. App. 40-70. In its rulings, the district court took a belt-and-suspenders approach to dismiss the case. It made factual determinations not only as to the nature of the accused advertisements, but as to the defense of laches, as well—even though the district court did not, and could not, point to a date or event that commenced the two-year laches period.

On January 31, 2008, Wayne-Dalton filed a motion for reconsideration requesting the district court to have the issue tried before a jury, which the district court denied on April 29, 2008. App. 24-32.

Finally, the district court denied Wayne-Dalton's request for injunctive relief, and entered final judgment against Wayne-Dalton on August 14, 2008. App. 4-26.

Federal Circuit Proceedings

On March 31, 2009, the Federal Circuit entered a one-word judgment "AFFIRMED," further stating "NOTE: This disposition is nonprecedential." App. 1.

Reasons for Granting the Writ

I. The Decisions of the Lower Courts Deepen a Conflict Between the Circuits, Violate Wayne-Dalton's Seventh Amendment Right to a Jury Trial, and Frustrate the Consumer Protection Purpose of the Lanham Act.

A. The Decisions of the District Court and Federal Circuit Deepen a Conflict with the Law of the First, Second, Fourth and Seventh Circuits.

In this case a jury never determined whether garage doors having panel interfaces that admit the fingers of an adult to the extent that they can be crushed or severed may be legally advertised as "pinch resistant." Rather, the decision was made by the district court "as a matter of law," without due regard to context and with the district court weighing the facts. In *American Council of Certified Podiatric Physicians and Surgeons v. American Board of Podiatric Surgery, Inc.*, the Sixth Circuit departed from the law of false advertising as followed by at least the First, Second, Fourth and Seventh Circuits, as well as learned scholars, and

ruled that the issue of the nature of an accused advertising statement is initially a matter of law for the court, and only thereafter a matter of fact:

> Whether or not a statement is ambiguous would seem to be a question of law, as it is in contract interpretation. ([U]nder Ohio law, determination of whether a contractual term is ambiguous is a question of law, not fact). On the other hand, the Second Circuit has held that whether or not a statement is facially false is a question of fact. These two rules do not conflict because determining what meaning(s) words facially convey requires no weighing of evidence, while determining whether facts exist so as to make a statement true does require weighing evidence. Thus, the initial determination concerning whether a statement is ambiguous is a matter of law, while the determination as to whether facts exist so as to justify the statement is a question of fact. The testimony plaintiff points to concerns the initial determination of ambiguity and is therefore irrelevant to the question of whether "purporting" is ambiguous, a question of law.

American Council of Certified Podiatric Physicians and Surgeons v. American Board of Podiatric Surgery, Inc, 185 F.3d 606, 615 n. 2 (6th Cir. 1999) (internal citations omitted).

The Sixth Circuit's approach is inconsistent with the law of several other circuits, which have held that the determination of the nature of an accused of statement is an issue of fact. *See*, *Clorox Co. Puerto Rico v. Proctor & Gamble Commercial Co.*, 228 F.3d 24, 34 (1st Cir. 2000)("Whether an advertisement is literally false is typically an issue of fact...At least two factual questions must be answered in evaluating the accuracy of any particular advertisement. First, a factfinder must determine the claim conveyed by the advertisement...Once the claim made by the advertisement has been determined, the factfinder must then evaluate whether that claim is false." (internal citations omitted)); *Johnson & Johnson v. GAC Int'l, Inc.*, 862 F.2d 975, 979 (2d Cir. 1988)("In *Coca-Cola* [*Co. v. Tropicana Prods., Inc.*, 690 F.2d 312, 317-18 (2d Cir. 1982)], this court held that a trial court's finding of facial falsity *vel non* was an issue of fact."); *C.B. Fleet Co. v. Smith Kline Beecham Consumer Healthcare, L.P.*, 131 F.3d 430, 434 (4th Cir. 1997)("Whether an advertisement is literally false is a question of fact."); *Mead Johnson & Co. v. Abbott Laboratories*, 209 F.3d 1032, 1034 (7th Cir. 2000)("...[W]hether a claim is either 'false' or 'misleading' is an issue of fact rather than law."); and 1A *Callmann on Unfair Comp., Tr. & Mono.* § 5:23 (4th ed.)("The nature of the falsity [of an advertisement] is a question of fact.")

While typically a conflict must be inferred from an analysis of allegedly conflicting cases, in *Podiatric Physicians*, the Sixth Circuit expressly recognized its departure from the Second Circuit's holding that whether or not a statement is facially

false is a question of fact. The Sixth Circuit, however, reasoned that its departure was not a "conflict because determining what meaning(s) words facially convey requires no weighing of evidence." *Podiatric Physicians*, 185 F.3d at 615, n 2.

Contrary to its reasoning, the Sixth Circuit's departure from the Second Circuit's holding is, indeed, a "conflict" for the simple reason that the context of an accused false term is essential to the determination of its meaning. As most poignantly stated by the Second Circuit, "Fundamental to any task of interpretation is the principle that text must yield to context. Recognizing this, the Supreme Court long ago inveighed against 'the tyranny of literalness.'" *Avis Rent A Car Sys., Inc. v. Hertz Corp.*, 782 F.2d 381, 385 (2d Cir. 1986.) Quoting Judge Learned Hand, the Second Circuit explained further,

> "[t]here is no surer way to misread any document than to read it literally," as well as his oft-cited admonition that "it is one of the surest indexes of a mature and developed jurisprudence not to make a fortress out of the dictionary." These and similar invocations against literalness, though delivered most often in connection with statutory and contract interpretation, are relevant to the interpretation of any writing, including advertisements...a court must "consider the advertisement in its entirety and not...engage in disputatious dissection. The entire

> mosaic should be viewed rather than each tile separately."

Id. (internal citations omitted). *See also*, 1A *Callmann* § 5:23.

Cardinally, the concepts of "context" and "mosaic" were lost on the Federal Circuit. When the issue of the advertising mosaic was presented at the hearing on appeal, the Panel's only response was "I don't understand that. So are you complaining about these other statements or not?" *Audio Recording of Oral Argument in Case No. 2008-1585, Wayne-Dalton Corp. v. Amarr Co.*, 3/30/09, http://oralarguments.cafc.uscourts.gov/mp3/2008-1585.mp3 at 06:39 – 06:49 (accessed 5/5/09). Following the pattern of the district court, the Panel then treated the words and phrases of the advertising context as separately actionable statements:

> "Some of the statements, put aside pinch resistant, the problem is that some of the statements seem to be susceptible of a finding of literal falsity of a jury..." *Audio Recording of Oral Argument* at 18:58 – 19:12;
>
> "Do you agree with me that those are susceptible to being found [to be literally false]?" *Audio Recording of Oral Argument* at 19:22 – 19:26; and
>
> "You don't need evidence from consumers, just on the face of it that they can be susceptible to a finding of

> literal falsity given the fact that fingers do seem to be able to get in." *Audio Recording of Oral Argument* at 19:31 – 19:42.

Indeed, given the broad language of the Lanham Act false advertising provision ("in commercial advertising or promotion"), "context" is necessarily more than just the text of an advertisement, may be broader than the four corners of a single advertisement, and, may even be as broad as an advertisement campaign. 15 U.S.C. § 1125(a)(1)(B) While it is well settled law that the construction of "written instruments" is with the court, where the instrument's effect depends not merely on its construction and meaning, but upon extrinsic facts and circumstances (both also being aspects of "context"), the inferences to be drawn *must* be left to a jury. *Goddard v. Foster*, 84 U.S. (17 Wall.) 123, 142 (1872).

That the conflict is real is verified by the decisions below, and the absurdity of a decision that would allow a garage door having panel interfaces that could crush or sever fingers to be legally advertised as "pinch resistant." Given the context of the advertisements at issue, what causes a district court to ask "What does it mean to 'resist' pinching? Must a door 'resist' pinching both adults' fingers and childrens' (sic) fingers? Only fingers but not shirt sleeves? Is the door 'pinch resistant' because it avoids *being* pinched due to its flat panels?" (App. 34), and then remove these inquiries from the province of the jury? It is the unwarranted dissection of an accused false term from its context, sanctioned by the Sixth Circuit, that creates

practical difficulties for a district court, results in that district court weighing the evidence and, in the end, yields absurd results, such as occurred in this case. The Sixth Circuit approaches false advertising from a contract perspective (*Podiactric Physicians*, 185 F.3d at 615, n. 2), and not from tort. Yet, false advertising is a tort. *Gold Seal Co. v. Weeks*, 129 F. Supp. 928, 940 (D.D.C. 1955). This being the sanctioned Sixth Circuit approach, the district court's error is certain to be repeated.

As the conflict is real, it should be resolved by this Court, which has stated that a "principal purpose of which we use our certiorari jurisdiction...is to resolve conflicts among the Circuit Courts of Appeals" and which has incorporated this principle into its rules of practice. *See, Braxton v. United States*, 500 U.S. 344, 347 (1991) and S. Ct. R. 10(a).

B. The Decisions of the District Court and Federal Circuit Have Violated Wayne-Dalton's Seventh Amendment Right to a Trial by Jury on the Factual Issues of the Nature of the Accused Advertising Statements and Laches.

The Seventh Amendment provides: "In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved."

This Court has consistently interpreted the phrase "suits at common law" to refer to "suits in

which legal rights [are] to be ascertained and determined, in contradistinction to those where equitable rights alone [are sought to be] recognized, and equitable remedies [to be] administered." *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 41 (1989), citing *Parsons v. Bedford*, 3 Pet. 433, 447 (1830) (internal citations omitted); *See also*, *Chauffeurs Local 391 v. Terry*, 494 U.S. 558, 564-65 (1990). In determining whether an action is "legal" or "equitable" for Seventh Amendment purposes, a court (1) compares the statutory action to eighteenth century actions brought in the courts of England prior to the merger of the courts of law and equity; and (2) examines the remedy sought to determine if it is legal or equitable. *Granfinanciera,* 492 U.S. at 42. The second stage of the analysis is more important than the first. *Id.* When considering rights and remedies not founded in the common law of 1791, the right of action should be analogized to its historical counterpart, at law or in equity, for the purpose of determining whether there is a right of jury trial, unless Congress has expressly prescribed the mode of trial. *Luria v. United States*, 231 U.S. 9, 27-28 (1913).

False advertising is analogous to common law actions against injurious falsehoods such as trade libel and slander of title. In *Flint et al. v. Hutchinson Smoke Burner Co.*, the Supreme Court of Missouri stated that "slander of title" is an action at law: "[w]here the plaintiff possesses an estate or interest in any real or personal property, an action lies against any one who maliciously comes forward and falsely denies or impugns the plaintiffs' title thereto, if thereby damage follows to the plaintiff."

Flint et al. v. Hutchinson Smoke Burner Co., 19 S.W. 804, 805 (MO 1892).

This has been acknowledged in the federal courts:

> In *Flint*... the court held that the question of libel should be determined by a jury in an action at law, and that after a verdict for the plaintiff he might have an injunction to restrain the further publication of that which the jury found to be actionable libel or slander.

American Malting Co. v. Keitel, 209 F. 351, 356 (2d Cir. 1913) (internal citations omitted).

"Trade libel" is "trade defamation that is written or recorded" (*Black's Law Dictionary* 1530 (8th Ed. 2004)), and is clearly similar to the Lanham Act's prohibition against false advertising. Trade libel is also a matter of law that is tried to a jury. *American Malting*, 209 F. at 356-357.

False advertising under the Lanham Act provides remedies for false statements in advertising that harm competitors and consumers, and is therefore analogous to common law actions against injurious falsehoods dating back to the eighteenth century. These common law actions were tried to a jury, and therefore the analogous claims brought under the Lanham Act must also be tried to a jury.

Additionally, this Court has stated that relief consisting of actual and punitive damages is the

traditional form of relief offered in the *courts of law*. *Curtis v. Loether*, 415 U.S. 189, 196 (1974). Further, it is an established principle that where both legal and equitable issues are presented in a single case, only under the most imperative circumstances can the right to a jury trial of legal issues be lost through prior determination of an equitable claim, necessitating the trial of common factual issues to the jury. *Dairy Queen v. Wood*, 369 U.S. 469, 472-73, (1962). This principle applies, as well, to the laches issue which was determined by the district court, below.

This Court has also recognized that not all issues arising in a jury trial are necessarily jury issues. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 376 (1996). Whether an issue may be resolved by the court, or must be reserved for the jury, turns on whether a determination by the jury is necessary to preserve the substance of the common law right of trial by jury. *Id.* It may be argued that the Sixth Circuit's decision in *Podiatric Physicians* addresses only whether the initial issue of the nature of the accused advertising statement is, itself, necessarily a jury issue. But, given the requirements of "context" and the similarity to eighteenth century common law actions, a jury must shoulder this responsibility as necessary to preserve the substance of the common law right of trial by jury.

Under the holding below, it will be commonplace to deny litigants their constitutional right to a jury trial on the nature of an accused advertising statement, a critical issue in false

advertisement cases. This Court should grant the petition to end the conflict created by this case on what is an important and recurring question of federal law.

C. The Decisions of the District Court and Federal Circuit Frustrate the Purpose of the False Advertising Provision of the Lanham Act.

In amending the Lanham Act in 1988 to broaden the language and codify the prohibition against false and misleading advertising, Congress endorsed and highlighted the creation of a federal law of unfair competition. S. Rep. No. 100-515 at 40. The Trademark Law Revision Act of 1988 had as its stated purpose to protect legitimate business and the consumers of the country. *Id.*; *See also*, Thomas W. Edman, *Lies, Damn Lies, And Misleading Advertising: The Role of Consumer Surveys In the Wake of* Mead Johnson v. Abbott Labs, 43 Wm. & Mary L. Rev. 417, 444 (2001). Indeed, as advertising has taken on a central role in our national economy, the false advertising prohibition in the Lanham Act has become one of the primary vehicles for protecting consumers from false or misleading advertising. Uncertainty (confusion and conflict) about the federal law governing advertising, such as that created by the Sixth Circuit's departure from the consideration of the nature of an accused advertising statement as an issue of fact,as demonstrated by the district court decision that allows a garage door that threatens severe hand injuries to be legally

advertised as "pinch resistant," does nothing to forward the purpose of protecting the consumers of the country. Instead, it frustrates the vital role advertising is supposed to play in the national economy by maintaining the clean flow of commercial information. *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 561-62 (1980). Indeed, under the circumstances of this case, it leaves the public at greater risk than it would have been in the absence of the advertising altogether. In sum, this Court should grant the petition to dispel the confusion by establishing the clear principle that the nature of an accused advertising statement is a matter of fact for a jury, which will serve to promote the consumer protection purpose of the false advertising provision of the Lanham Act.

II. The Federal Circuit's Practice of Issuing Nonprecedential Decisions Violates The Constitution.

> *To avoid an arbitrary discretion in the courts, it is indispensable that they should be bound down by strict rules and precedents, which serve to define and point out their duty in every particular case that comes before them...*
>
> -Alexander Hamilton, The Federalist No. 78

> *A more alarming doctrine could not be promulgated by any American court, than that it was at liberty to disregard all former rules and decisions, and to*

> *decide for itself, without reference to the settled course of antecedent principles.*
>
> - Justice Joseph Story

The Federal Circuit disposed of Wayne-Dalton's appeal with a one-word judgment it labeled "nonprecedential."

This is insufficient. The Federal Circuit's practice of issuing unpublished, nonprecedential decisions is constitutionally infirm in three significant ways. First, the practice exceeds the "judicial power" conferred on the judiciary by Article III. Second, the practice violates the principles of the Equal Protection Clause. Third, the practice violates the First Amendment and the Due Process Clause of the Fifth Amendment. Finally, the practice is ripe[3] for Constitutional review and has

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[3] *See*, David R. Cleveland, *Draining The Morass: Ending The Jurisprudentially Unsound Unpublication System*, 92 Marq. L. Rev. 685, 686 (2009); David R. Cleveland, *Overturning The Last Stone: The Final Step In Returning Precedential Status To All Opinions*, 10 J. App. Prac. & Process, 101 (2009); Richard B. Cappalli, *The Common Law's Case Against Non-Precedential Opinions*, 76 S. Cal. L. Rev. 755 (2003); Drew R. Quitschau, Anastasoff v. United States: *Uncertainty In The Eighth Circuit – Is There A Constitutional Right To Cite Unpublished Opinions*, 54 Ark L. Rev. 847 (2002); Penelope Pether, *Constitutional Solipsism: Toward A Thick Doctrine Of Article III Duty; Or Why The Federal Circuits' Nonprecedential Status Rules Are (Profoundly) Unconstitutional*, 7 Wm. & Mary Bill Rts. J. 955 (2009); Charles E. Carpenter, *The No-Citation Rule For Unpublished Opinions: Do The Ends Of Expediency For Overloaded Appellate Courts Justify The Means Of Secrecy*, 50 S.C. L. Rev. 235 (1998).

been wanting for this Court's attention since the 1970's.[4]

A. The Federal Circuit Exceeds Its "Judicial Power" When It Issues Nonprecedential Decisions.

All cases decided by the federal courts are precedent.

The Eight Circuit has acknowledged this fact of American law: "Inherent *in every judicial decision* is a declaration and interpretation of a general principle or rule of law. This declaration of law is authoritative to the extent necessary for the decision, and must be applied in subsequent cases to similarly situated parties." *Anastasoff v. United States*, 223 F.3d 898, 899-900 (8th Cir. 2000) (internal citations omitted, emphasis added), *vacated as moot*,[5] 235 F.3d 1054 (8th Cir. 2000).

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[4] The Advisory Council on Appellate Justice, Committee on Use of Appellate Court energies drafted a report, *Standards for Publication of Judicial Opinions: A Report of the Committee on Use of Appellate Court Energies of the Advisory Council on Appellate Justice* (1973), and acknowledged that the practice of limiting the printing of, and citation to, appellate court decisions presented a "morass of jurisprudence" that it did not address. *See also*, Cleveland, *Draining the Morass*, *supra* n. 3 at 686-687.

[5] The case became moot when the United States paid appellant Anastasoff her income tax refund in full: "Here, the case having become moot, the appropriate and customary treatment is to vacate our previous opinion and judgment, remand to the District Court, and direct that Court to vacate its judgment as moot." 235 F.3d at 1056.

So too has the Chief Judge of the Tenth Circuit: "*Each ruling*, published or unpublished, involves the facts of a particular case and the application of law--to the case. *Therefore all rulings of this court are precedents*, like it or not, and we cannot consign any of them to oblivion by merely banning their citation." *In re Rules of U.S. Ct. of App. for 10th Cir., Adopted Nov. 18, 1986*, 955 F.2d 36, 37 (10th Cir. 1992) (Halloway, Chief Judge, and Barrett & Baldock, JJ., dissenting, emphasis added).

This requirement that all cases decided by the federal courts are precedent flows directly from the Constitution. Article III, Section 1, Clause 1 of the United States Constitution states: "The judicial power of the United States, shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish." U.S. Const. art. III, § 1, cl. 1. Although "judicial power" is not further defined, when the Constitution was adopted and ratified "judicial power" was defined and constrained by the doctrine of precedent, thereby limiting the power delegated to the courts by Article III. *Anastasoff*, 223 F.3d at 900.

The importance of precedent to the common law as a tool for judicial decision-making around the time this nation was founded is well documented by legal historians and has been discussed by the courts. *Anastasoff*, 223 F.3d at 900: "The doctrine of precedent was well-established by the time the Framers gathered in Philadelphia"; Morton J. Horwitz, *The Transformation of American Law: 1780 – 1860*, 1 (1977): "[In eighteenth century America],

the common law was conceived of as a body of essentially fixed doctrine to be applied in order to achieve a fair result between private litigants in individual cases"; 1 Sir William W. Blackstone, *Commentaries on the Laws of England* *69 (1765): "For it is an established rule to abide by former precedents, where the same points come again in litigation: as well to keep the scale of justice even and steady, and not liable to waver with every new judge's opinion..."; 1 Blackstone, *Commentaries* *70:

> From the sixteenth century onwards, if not earlier, we may say that decided cases are regarded as a definite authority, which, at least in the absence of special reasons to the contrary, must be followed for the future. For the last three hundred years, at any rate, the decisions of judges of the higher courts have had a binding force for all similar cases which may arise in the future.

By the eighteenth century, it was well understood that a judge's duty was to determine the law, and to follow it. Thus precedent provided a prescriptive and limiting framework to decision-making. *See*, 1 Blackstone, *Commentaries*, *69-70 (emphasis added):

> For it is an established rule to abide by former precedents, where the same points come again in litigation: ... because the law in that case being solemnly declared and determined, what before was uncertain, and perhaps

> indifferent; is now become a permanent rule, which it is not in the breast of any subsequent judge to alter or vary from; according to his private sentiments: *he being sworn to determine not according to his own private judgment, but according to the known laws and customs of the land; not delegated to pronounce a new law, but to maintain and expound the old one.*

Contemporary American jurists were committed to these ideas as well. Alexander Hamilton in *The Federalist No. 78* states: "The courts must declare the sense of the law; and if they should be disposed to exercise WILL instead of JUDGMENT, the consequence would equally be the substitution of their pleasure to that of the legislative body"; and: "To avoid an arbitrary discretion in the courts, it is indispensable that they should be bound down by strict rules and precedents, which serve to define and point out their duty in every particular case that comes before them..." And in *The Federalist No. 81*, Hamilton states that a reviewing court "pronounces the law arising upon" the facts of a case. Justice Joseph Story in his *Commentaries on the Constitution of the United States* § 377 discusses the strength and tradition of precedent, and denounces the possibility of another mode of decision-making:

> The case is not alone considered as decided and settled, but the principles of the decision are held, as precedents and authority, to bind future cases of

> the same nature. *This is the constant practice under our whole system of jurisprudence.* Our ancestors brought it with them when they first emigrated to this country, and it is, and always has been, considered as the great security of our rights, our liberties, and our property. It is on this account that our law is justly deemed certain, and founded in permanent principles, and not dependent upon the caprice or will of particular judges. A more alarming doctrine could not be promulgated by any America court, than that it was at liberty to disregard all former rules and decisions, and to decide for itself, without reference to the settled course of antecedent principles.

1 Joseph Story, *Commentaries on the Constitution of the United States* § 377 (5th ed. 1891) (emphasis added).

Precedent was clearly central to "judicial power" under the common law when the Constitution was adopted and ratified. Judge Arnold of the Eighth Circuit reached the same conclusion in *Anastasoff*:

> This known course of proceeding, this settled habit of thinking, this conclusive effect of judicial adjudications, was in the full view of the framers of the constitution. It was required, and enforced in every state in the Union;

> and a departure from it would have been justly deemed an approach to tyranny and arbitrary power, to the exercise of mere discretion, and to the abandonment of all the just checks upon judicial authority.

Anastasoff, 223 F.3d at 904.

All cases decided by the federal courts are precedent. Precedent provides both the method by which cases are to be decided (articulating the applicable rule of law, and applying the facts of a case to that rule), as well as a limit on how cases may be decided (cases must be decided by application of the facts of a case to the applicable rule of law). Precedent, then, limits the "judicial power" conferred on the federal courts by Article III of the Constitution.

The Federal Circuit's practice of issuing unpublished decisions and denying their precedential value flies in the face of these constitutional limits on judicial power. The Federal Circuit wishes to free itself from following its own decisions by denying the precedential status of a past decision for future cases. The Federal Circuit is saying "We may have decided this question the opposite way yesterday, but this does not bind us today." This exceeds the judicial power conferred on the Federal Circuit, and represents the alarming doctrine denounced by Justice Story. *Anastasoff* 223 F.3d at 904, 1 Story, *Commentaries* § 377.

And, where as here the Federal Circuit's decision is nothing more than a one-word judgment, there is no assurance that the court has identified and applied the relevant law, let alone followed it. The Federal Circuit's decision did not articulate what rule of law applies given the facts of this case, and did not apply the facts to the applicable law. Thus, the parties and the public are prohibited from knowing what the rule of law is, and how that rule of law was applied to the given facts. And, the parties and public are also deprived of considering whether the court has actually followed the law. Judicial power does not extend this far. All courts are limited by the doctrine of precedent, and the Federal Circuit must comply with its requirements. Issuing a decision that satisfies the traditions of precedent is especially worthwhile where, as here, the parties dispute the applicable law.

The Federal Circuit exceeded its judicial power, and this Court should grant the petition and address this issue of great importance.

B. The Federal Circuit Denies Litigants The Equal Protection of The Laws When It Issues Nonprecedential Decisions.

Moreover, the Federal Circuit's practice of issuing nonprecedential decisions violates the Equal Protection Clause because it treats similarly situated litigants in a disparate manner. "The Equal Protection Clause of the Fourteenth Amendment commands that no State shall 'deny to any person within its jurisdiction the equal protection of the

laws,' which is essentially direction that all persons similarly situated should be treated alike." *City of Cleburne v. Cleburne Living Ctr.*, 473 U.S. 432, 439 (1985). The protections afforded by the Equal Protection clause apply by analogy to the federal government through the due process guarantees of the Fifth Amendment. *See, Bolling v. Sharpe*, 347 U.S. 497, 500 (1954) ("In view of our decision that the Constitution prohibits the states from maintaining racially segregated public schools, it would be unthinkable that the same Constitution would impose a lesser duty on the Federal Government."). The federal government, including the Federal Circuit, may not deny to any person the equal protection of the laws.

By issuing nonprecedential decisions, a court is saying "We may have decided this question the opposite way yesterday for one litigant, but this does not bind us today for a different litigant." This is not mere hyperbole – two cases from the Fifth Circuit demonstrate how a court's practice of issuing nonprecedential opinions actually lead to the disparate treatment of *identically* situated litigants.

In the case of *Anderson v. Dallas Area Rapid Transit*, the district court held that "DART is a political subdivision of the state of Texas, and is therefore immune from suit under the Eleventh Amendment." *Anderson v. Dallas Area Rapid Transit*, No. CA3:97-CV-1834-BC, 1998 WL 686782, at *7 (N.D.Tex. Sept. 29, 1998). The Fifth Circuit affirmed in an "unpublished" decision that it declared "is not precedent." *Anderson v. Dallas Area Rapid Transit*, 180 F.3d 265 (5th Cir. 1999) (per

curiam). The Supreme Court subsequently denied Anderson's cert petition, 528 U.S. 1062 (1999).

In *Williams v. Dallas Area Rapid Transit*, the district court dismissed the case *sua sponte* for lack of subject matter jurisdiction. In the employee's appeal, the Fifth Circuit held that "DART is not an arm of the state for purposes of the Eleventh Amendment," and therefore "DART is not immune from Williams's claim." *Williams v. Dallas Area Rapid Transit*, 242 F.3d 315, 319-322 (5th Cir. 2001). Regarding that same court's earlier opposite decision in *Anderson*, the Fifth Circuit stated in a footnote that its previous decision is "neither binding nor persuasive." *Id.* at 319, n. 1. The denial of the petition for rehearing *en banc* drew a dissent signed by three circuit judges, and stated: "The refusal of the *en banc* court to rehear this case *en banc* is unfortunate, for this is an opportunity to revisit the questionable practice of denying precedential status to unpublished opinions." *Williams v. Dallas Area Rapid Transit*, 256 F.3d 260, 260 (5th Cir. 2001) (Smith, Circuit Judge, with Jones and DeMoss dissenting).

The *Anderson* and *Williams* cases provide a specific example of the abuse that follows a court regarding its own prior decisions as nonprecedential. It is what Justice Story and the Eight Circuit abhor: a court that views itself at liberty to disregard all former rules and decisions, and to decide for itself, without reference to the settled course of antecedent principles. *Anastasoff*, 223 F.3d at 904. For these cases, the Fifth Circuit is saying "We may have decided this question the opposite way yesterday for a litigant, but this does not bind us today for *the same* litigant."

Parties are denied the equal protection of the laws when courts are free to disregard their past decisions and issue decisions that reflect the will of the court, and not the judgment required by the historically established rule of law. A nonprecedential decision *ipso facto* violates the Equal Protection Clause because it says that indistinguishable future cases may not be, but may be, decided the same way. The Federal Circuit's practice undermines the constitutional promise that litigants will be treated equally under the law.

The Federal Circuit denied Wayne-Dalton the equal protection of the laws by issuing its nonprecedential one-word judgment. The Federal Circuit's decision does not indicate that it was decided based on a legal principle of equal application, and expressly states that it is "nonprecedential." This Court should grant this petition and address this issue of great importance.

C. The Federal Circuit Denies Litigants Their Fundamental Right Of Access To The Courts And Due Process Requirements When It Issues Nonprecedential Decisions.

The First Amendment provides parties with a fundamental right of access to the courts. *Bounds v. Smith*, 430 U.S. 817, 828 (1977). And while the Supreme Court has not held that there is a constitutional right to appeal, if the law creates such a right, the government cannot create barriers that limit the ability of parties to exercise this right. *See, Griffin v. Illinois*, 351 U.S. 12, 18 (1956), *Eskridge v. Washington*, 357 U.S. 214, 216 (1958), *Douglas v.*

California, 372 U.S. 353, 357-358 (1963). Government actions that limit fundamental rights are subject to strict scrutiny review. *See*, *Clark v. Jeter*, 486 U.S. 456, 461 (1988).

The Fifth Amendment prohibits the government from depriving a person of "life, liberty, or property, without due process of law." U.S. Const. amend. V. This clause has been held to include both substantive and procedural components.

Because the equal protection clause applies to the Federal government by analogy through the Fifth Amendment due process clause, a substantive due process analysis is similar to an equal protection analysis.

The tradition and values of the doctrine of precedent are implicit in the concepts of ordered liberty, as incorporated into the "judicial power" recited in Article III of the Constitution ("The judicial power of the United States, shall be vested in one Supreme Court, and in such inferior courts as the Congress may from time to time ordain and establish."). A party's due process rights, then, are infringed by a violation of the doctrine of precedent. *See*, *Griswold v. Connecticut*, 381 U.S. 479, 500 (1965) (Harlan, J., concurring) ("In my view, the proper constitutional inquiry in this case is whether this Connecticut statute infringes the Due Process Clause of the Fourteenth Amendment because the enactment violates basic values implicit in the concept of ordered liberty.") (internal quotations and citations omitted).

The practice of issuing nonprecedential decisions infringes upon a party's due process rights because it violates the doctrine of precedent – something implicit in our concept of ordered liberty. In particular, the practice purports to set future courts free from following what has been already decided, an idea that violates the basic values of precedent. In addition, a court's nonprecedential one-word judgment order is devoid of the finding and application of law that is the hallmark of tradition and precedent.

In addition to substantive due process, due process guards against procedural actions that abrogate well-established common law procedures without providing an appropriate substitute:

> Oregon's abrogation of a well-established common-law protection against arbitrary deprivations of property raises a presumption that its procedures violate the Due Process Clause. As this Court has stated from its first due process cases, traditional practice provides a touchstone for constitutional analysis...
>
> Judicial review of the amount awarded was one of the few procedural safeguards which the common law provided against that danger. Oregon has removed that safeguard without providing any substitute procedure and without any indication that the danger of arbitrary awards has in any way

> subsided over time. For these reasons, we hold that Oregon's denial of judicial review of the size of punitive damages awards violates [due process].

Honda Motor Co. v. Oberg, 512 U.S. 415, 430-432 (1994) (internal citations omitted). As has already been established, the doctrine of precedent is a well-established common law procedure, and is the hallmark of valid judicial judgment. Thus, the Federal Circuit's practice of issuing nonprecedential decisions abrogates the common law traditions of precedent, and presumptively violates due process. First, the practice purports to set future courts free from following what has been already decided, an idea that is wholly at odds with the tradition of precedent. Second, where the decision is only a one-word judgment order, the decision is devoid of the finding of and application of the law that is the hallmark of the tradition of precedent. No substitute procedure is provided for what has been taken away – the Federal Circuit has simply disregarded the requirements of precedent implicit in the court's judicial power, and has denied Wayne-Dalton its due process.

Moreover, the Federal Circuit's practice of issuing nonprecedential decisions does not satisfy a strict scrutiny review. In order to survive strict scrutiny review, a governmental limitation on a fundamental right must be justified by a compelling governmental interest and be narrowly tailored to achieve that interest. *See, Wygant v. Jackson Board of Education*, 476 U.S. 267, 279-280 (1986). The Federal Circuit's practice of issuing nonprecedential

decisions fails both of these requirements. The practice serves no compelling governmental interest. The federal judiciary is obligated, through the judicial power vested in it, to follow the tradition of precedent. The government cannot claim a compelling interest in a practice that is at odds with its mandate, for nonprecedential decisions are antithetical to the tradition of precedent. But even if the Federal Circuit could articulate a compelling interest that its practice serves, the categorical classification of certain decisions as nonprecedential is not narrowly tailored. This is especially true where the Federal Circuit's decision is a one-word judgment order. If the Federal Circuit's decision-making is at all guided by the principles underlying the tradition of precedent, it could easily issue short decisions that contain the minimum to fulfill the traditions of precedent, and make explicit how the court reached its decision.

Wayne-Dalton's fundamental right of access to the courts and its due process rights were violated by the Federal Circuit's one-word judgment order. This Court should grant the petition and address this issue of great importance.

III. The Decisions of the District Court and Federal Circuit Are Wrong.

Issues of fact in false advertising cases brought under the Lanham Act are reserved for a jury. The Constitution guarantees this. The district court's opinion shows how it disregarded this limitation, and decided contested issues of fact, even citing to an affidavit for support. App. 9-14. The

Federal Circuit affirmed this blatant curtailment of the right to a jury trial.

Conclusion

The Federal Circuit's decision deepened a conflict among the circuits in an area of the law that demands uniformity, denied Wayne-Dalton its constitutional right to a jury trial, and frustrated the consumer protection purpose of the false advertising provision of the Lanham Act. By issuing a one-word judgment noted as "nonprecedential," the Federal Circuit exceeded its constitutional authority and denied Wayne-Dalton equal protection under the law, due process, and the fundamental right of access to the courts. Accordingly, a writ of certiorari should be issued and the decision below reversed or remanded.

Respectfully submitted,

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Wayne-Dalton Corp.

NO. _____

In The Supreme Court of the United States

WAYNE-DALTON CORP.,

Petitioner,

v.

AMARR COMPANY,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

APPENDIX

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[Entered: March 31, 2009]

NOTE: This disposition is nonprecedential.

United States Court of Appeals
for the Federal Circuit

2008-1585

WAYNE-DALTON CORP.,

Plaintiff-Appellant,

v.

AMARR COMPANY,

Defendant-Appellee.

Ray L. Weber, Renner, Kenner, Greive, Bobak, Taylor & Weber, of Akron, Ohio, argued for plaintiff-appellant. With him on the brief was Laura J. Gentilcore.

John F. Morrow, Jr., Womble Carlyle Sandridge & Rice, PLLC, of Winston-Salem, North Carolina, argued for defendant-appellee. With him on the brief was Kirk W. Watkins, of Atlanta, Georgia.

Appealed from: United States District Court for the Northern District of Ohio

Judge Sara Lioi

NOTE: This disposition is nonprecedential.

United States Court of Appeals
for the Federal Circuit

2008-1585

WAYNE-DALTON CORP.,

Plaintiff-Appellant,

v.

AMARR COMPANY,

Defendant-Appellee.

Judgment

ON APPEAL from: the United States District Court for the Northern District of Ohio

in CASE NO(S). 5:06-CV-01768.

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

Per Curiam (MAYER, DYK, and MOORE, Circuit Judges)

AFFIRMED. See Fed. Cir. R. 36.

ENTERED BY ORDER OF THE COURT

DATED March 31, 2009

/s/ Jan Horbaly
Jan Horbaly, Clerk

[Entered: August 14, 2008]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

WAYNE DALTON CORP., PLAINTIFF,	)	CASE NO. 5:06CV01768
	)	JUDGE SARA LIOI
vs.	)	MEMORANDUM OPINION AND ORDER
AMARR COMPANY, DEFENDANT.	)	

I. FACTUAL AND PROCEDURAL BACKGROUND

The facts surrounding this case are set forth in the Court's January 23, 2008, Memorandum Opinion and Order, familiarity with which is assumed. Wayne-Dalton and Amarr both manufacture garage doors. Wayne-Dalton brought a claim for false advertisement in violation of 15 U.S.C. § 1125, contending that Amarr falsely advertised Amarr's doors as "pinch resistant," and sought both damages and injunctive relief. The Court granted Amarr's motion for summary judgment on Wayne-Dalton's claim for damages because Wayne-Dalton failed to offer any evidence of actual consumer deception and because the claim was barred by the doctrine of laches. (Doc. No. 156.) The Court, however, did not grant summary judgment on WayneDalton's claim for injunctive

relief, finding that laches does not bar such a claim under Sixth Circuit law. (*Id.* at 15, citing *Nartron Corp. v. STMicroelectronics*, 305 F.3d 397, 412 (6th Cir. 2002)). Subsequent to the ruling, the Court instructed the parties to meet and confer regarding the claim for injunctive relief, with an eye toward resolution of the claim. Unable to resolve the issue, the parties filed a joint status report advising the Court that neither party believed a hearing would be worth the delay, expense and judicial effort that would be required, and suggested that they be permitted to file simultaneous briefs addressing the propriety of injunctive relief. The Court granted this request, and now considers the briefs as cross-motions for summary judgment.[1]

II. STANDARD OF REVIEW

This Court's analysis of the motion for summary judgment is governed by Rule 56(c) of the Federal Rules of Civil Procedure:

> The judgment sought should be rendered if the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact

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[1] Wayne-Dalton has filed a motion to strike Amarr's opposition to the issuance of an injunction. (Doc. No. 176.) Because the motion and reply in support of the motion (Doc. No. 180) appear to be an unnecessary and inappropriate attempt to file two more briefs (beyond the at least 12 previously filed) regarding the merits of this claim and to hurl unwarranted and inflammatory accusations at Amarr and its counsel, the Court hereby DENIES the motion. Furthermore, the Court will not consider the arguments contained within the motion and reply to the extent they provide further argument regarding the merits of the claim for injunctive relief

> and that the movant is entitled to judgment as a matter of law.

Id. The party opposing a motion for summary judgment made according to Rule 56 "may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e).

The entry of summary judgment is not a disfavored procedural shortcut, but instead is mandated by "the plain language of Rule 56(c) [. . .] after adequate time for discovery and upon motion, against a party who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). The party opposing a motion for summary judgment may do so with "any of the kinds of evidentiary materials listed in Rule 56(c), except the mere pleadings themselves." *Id.* at 324. The nonmovant must show more than a scintilla of evidence to overcome summary judgment. *Matushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). Rather, the nonmoving party "must present significant probative evidence in support of its complaint to defeat the motion for summary judgment." *Moore v. Philip Morris Co.*, 8 F.3d 335, 339-40 (6th Cir. 1993). In addition, the movant is not required to file affidavits or other similar materials negating a claim on which its opponent bears the burden of proof, so long as the movant relies upon the absence of the essential element in the pleadings, depositions, answers to

interrogatories, and admissions on file. *Celotex*, 477 U.S. at 322.

In reviewing summary judgment motions, this Court must view the evidence in a light most favorable to the non-moving party to determine whether a genuine issue of material fact exists. *Adickes v. S.H. Kress & Co.*, 398 U.S. 144 (1970); *White v. Turfway Park Racing Ass'n*, 909 F.2d 941, 943-44 (6th Cir. 1990). A fact is "material" only if its resolution will affect the outcome of the lawsuit. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986).

Determination of whether a factual issue is "genuine" requires consideration of the applicable evidentiary standards. Thus, in most civil cases the Court must decide "whether reasonable jurors could find by a preponderance of the evidence that the [non-moving party] is entitled to a verdict." *Id.* at 252. A non-movant is not permitted to rest upon the allegations in the complaint, but must produce affirmative evidence in support of each and every element of each claim. *Id.* at 150. In light of this standard, the Court considers Defendant's dispositive motion.

III. LAW AND ANALYSIS

In order to show it is entitled to a permanent injunction, Wayne-Dalton must demonstrate (1) that it succeeds on the merits of its claim and has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between Wayne-Dalton and Amarr, a remedy in equity is

warranted; and (4) that the public interest would not be disserved by a permanent injunction. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). An evidentiary hearing is ordinarily required prior to the issuance of a permanent injunction, *United States v. McGee*, 714 F.2d 607, 613 (6th Cir. 1983), unless no factual issues remain for trial. *Moltan Co. v. Eagle-Picher Indus.*, 55 F.3d 1171, 1174 (6th Cir. Tenn. 1995). The decision to grant or deny a permanent injunction is within the Court's discretion and demands consideration of traditional principals of equity. *eBay*, 547 U.S. at 394; *Podiatric Physicians*, 185 F.3d at 618.

1. Wayne-Dalton's Claim for False Advertising Fails on the Merits

Wayne-Dalton's claim for false advertising arises under 15 U.S.C. § 1125, enacted as part of the Lanham Act. The statute provides, in relevant part:

> (a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or fase or misleading representation of fact, which—
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities

> Shall be liable in a civil action by any person who believes that he or she is or is likely to be damages by such act.

15 U.S.C. § 1125(a)(1) & (a)(1)(B) (1994).

The Sixth Circuit has set forth five elements that Wayne-Dalton must establish to prove its claim for injunctive relief: (1) Amarr made a misleading statement of fact concerning its product; (2) the statement tends to deceive a substantial portion of the intended audience; (3) the statement is material in that it will likely influence the deceived consumer's purchasing decisions; (4) the advertisements were introduced into interstate commerce; and (5) there is some causal link between the challenged statements and harm to Wayne-Dalton.[2] *American Council of Certified Podiatric Physicians and Surgeons v. American Board of Podiatric Surgery, Inc.*, 185 F.3d 606, 613 (6th Cir. 1999) (hereinafter "Podiatric Physicians"); *Balance Dynamics v. Schmitt*, 204 F.3d 683, 690 (6th Cir. 2000).

a. The Powerpoint Presentation Advertising Doors as "Pinch Resistant" Was Not Misleading

The principal advertisement Wayne-Dalton claims was false was contained within a powerpoint presentation Amarr presented to Lowe's. On four different pages of this approximately 65 page

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[2] Unlike a claim for injunctive relief, a claim for damages requires a plaintiff to show actual consumer deception where no literal falsity is shown. Balance Dynamics, 204 F.3d at 690, 693-94.

presentation, Amarr represented that its line of garage doors is "pinch resistant."[3] In a previous opinion, this Court found that the advertisement of Amarr's doors as "pinch resistant" is ambiguous and thus incapable of literal falsity. To obtain the injunctive relief it now seeks, Wayne-Dalton must show that the "advertisement" (to the extent four slides of a powerpoint presentation can be considered an advertisement) is misleading. *Podiatric Physicians*, 185 F.3d at 613. "Consumer reaction is determinative where an advertisement is ambiguous

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[3] Wayne-Dalton attaches to its brief some advertisements Lowe's allegedly published describing the Reliabuilt doors as containing "child-safe finger-protecting door panels." Wayne-Dalton has not, however, sued Lowe's for false advertising as to these advertisements and does not appear to argue that Amarr should be liable for the advertisements of every entity which buys and resells Amarr doors. Instead, Wayne-Dalton's alleged harm is Lowe's decision to purchase Amarr doors instead of Wayne-Dalton doors. Regardless, no causal link can be shown between Lowe's own advertisements and its decision to purchase Amarr's doors where the advertisements were published after Lowe's made its decision. Nor can such after-the-fact evidence illustrate a tendency to deceive Lowe's. Moreover, these advertisements do not alter the Court's conclusion that Amarr's advertisements indicating that its doors were "pinch resistant" meant that they were safer than traditional garage doors with regard to finger/hand pinching, though not necessarily pinch proof. Without evidence or testimony from Lowe's, any link between how Lowe's currently advertises its doors and the meaning Amarr advertisements conveyed in 2006 is speculative at best.

and, hence, only potentially misleading."[4] *Castrol, Inc. v. Pennzoil Co.*, 987 F.2d 939, 947 (3d Cir. 1993).

In support of its claim, Wayne-Dalton submits pictures of a woman inserting the tips of her fingers between the section interfaces of an Amarr garage door. Thus, to succeed on its claim that the advertisement of the doors as "pinch resistant" was misleading, Wayne-Dalton must establish a genuine issue of material fact as to whether "pinch resistant" conveys to customers that the doors will never allow a person to insert the tips of her fingers between the panels of the door. *Podiatric Physicians*, 185 F.3d 606 at 615 n.2 (in deciding if an advertisement is misleading, a court must determine what message the advertisement conveys, and then look to the facts to determine whether a genuine issue exists as to

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[4] The Sixth Circuit's footnote in *Podiatric Physicians* could be interpreted to call for the Court to discern as a matter of law the meaning of an advertisement. *Podiatric Physicians*, 185 F.3d 606 at 615 n2. The Court analogized to contract law, though, in stating that "[w]hether or not a statement is ambiguous would seem to be a question of law, as it is in contract interpretation." *Id.* Several circuits have held that after a court determines that an advertisement is ambiguous, the meaning conveyed becomes a matter of fact. *Clorox Co. v. Proctor & Gamble Commer. Co.*, 228 F.3d 24, 34 (1st Cir. 2000) ("[A] factfinder must determine the claim conveyed by the advertisement."); *Johnson & Johnson v. Smithkline Beecham Corp.*, 960 F.2d 294, 297-98 (2nd Cir. 1992); *Castrol*, 987 F.2d at 947. This is consistent with the Sixth Circuit's analogy to contract law, because determination of whether a contract's language is ambiguous is a matter of law, whereas once a contract has been deemed ambiguous, its meaning becomes a matter of fact. Thus, the Court treats the issue as one of fact, instead of interpreting the Sixth Circuit's footnote in *Podiatric Physicians* to place the circuit in conflict with multiple other circuits. Nevertheless, even if the Court viewed the issue as one of law, its holding would not change because the words "pinch resistant" do not facially convey the meaning "pinch proof."

whether that message is misleading); *U.S. Healthcare, Inc. v. Blue Cross of Greater Phila.*, 898 F.2d 914, 922 (3d Cir.) *cert. denied*, 498 U.S. 816 (1990); *Iams Co. v. Kal Kan Foods*, No. C-3-97-449, 1998 U.S. Dist. LEXIS 19217, at *10 (S.D. Ohio March 31, 1997).

The parties dispute the meaning conveyed by the advertisement of a door as "pinch resistant." Amarr submitted affidavits from certain garage door dealers explaining that they understand pinch resistant to mean a door that is safer than a traditional garage door in terms of reducing the risk that an individual could pinch their fingers between the door's panels. (Doc. No. 30, ¶5, Doc. No. 32, ¶ 5.) In addition, Amarr submitted an entry from Wayne-Dalton's website explaining that a pinch resistant door "is engineered to help eliminate injuries caused when fingers are caught in door panel joints during downward opposition. The shape of the contact point between two door panel sections is designed to push fingers away as the door closes, helping prevent fingers from getting caught in the door joint." (Doc. No. 140, Ex. R.)

Wayne-Dalton repeatedly argued throughout this litigation that "pinch resistant" meant that a door complied with the voluntary standard adopted by the Door and Access Systems Manufacturers' Association ("DASMA") known as DASMA 116. Wayne-Dalton submitted an affidavit from its expert, John E. Scates, claiming that "the industry" has defined a pinch-resistant door as one that passes the DASMA 116 test. (Doc. No. 10, Ex. C.) Scates acknowledged at his deposition, however, that he did not know whether consumers, garage door dealers, or retailers like Lowe's and Home Depot would

believe "pinch resistant" meant that a door complied with DASMA 116. (*Id.* at 25.) In addition, the Court has already articulated in its prior opinion the reasons why "pinch resistant" does not unambiguously convey "DASMA 116 compliant." (Doc. No. 158.) Wayne-Dalton now argues that the "common sense" meaning of pinch resistant is that the doors do not admit fingers. (Doc. No. 174, 3.)

Both parties have declined to obtain discovery from Lowe's, a customer each party seeks to maintain and neither party wishes to involve in this litigation. Without this testimony from Lowe's, the Court is left to discern what the advertisements conveyed to Amarr customers, specifically Lowe's, based upon the testimony of others and the arguments of counsel. Because neither party has produced evidence of how Lowe's (the party whose interpretation would definitely show whether it was misled or deceived by Amarr's representations) interpreted the advertisements, the only evidence of how consumers interpret the "pinch resistant" advertisements is that of the dealers Amarr presented, each of whom understood "pinch resistant" to mean "safer than traditional garage doors with regard to finger and hand pinching." (Doc. No. 30, ¶5, Doc. No. 32, ¶ 5.) Wayne-Dalton's "common sense definition" is undermined by the testimony of its own engineer, who recognized the difference between "pinch proof" and "pinch resistant." (Doc. No. 140, Ex. T at 229.) Thus, the evidence when viewed in a light most favorable to Wayne-Dalton shows that "pinch resistant" conveyed to Amarr customers, such as Lowe's that the doors

were safer than traditional garage doors, but not necessarily pinch proof.[5]

Viewed in a light most favorable to Wayne-Dalton, the evidence in this case shows that the Amarr doors at issue are designed to prevent hand injuries and are less likely to pinch fingers than traditional non-pinch resistant garage doors. (Doc. No. 101, Ex. F; Doc. No. 140, Ex. F at 230; Ex. H at 11-12.) Wayne-Dalton's evidence that a woman, when she intentionally tried to do so, was able to fit the tips of her fingers in between the section interfaces of an Amarr door does not make the advertisements of the doors misleading. Wayne-Dalton's failure to establish a genuine issue of material fact as to whether Amarr's advertisement is misleading provides one distinct basis for rendering summary judgment against Wayne-Dalton on its claim for injunctive relief based upon the "pinch resistant" advertisement.

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[5] This evidence is not surprising, as the difference between "pinch proof" and "pinch resistant" is illustrated when one considers "water resistant" watches. Consumers do not understand watches labeled "water resistant" watches to be incapable of admitting water. Indeed, if such a watch did so, it would be labeled "water proof." Instead, "water resistant" watches are typically those which are more stringent in admitting water than traditional watches. Likewise, the evidence shows that the advertisements that Amarr's doors are "pinch resistant" convey to consumers that the doors are less likely to pinch fingers and hands than traditional doors. Customers, particularly executives from sophisticated parties like Lowe's, reasonably understand how the difference between the two is facially conveyed by the words' plain meaning, and recognize that just because a door is advertised as "pinch resistant" does not mean that it will never pinch a finger, particularly one that someone intentionally inserts between the panels.

a. Wayne-Dalton Has Failed to Show a Tendency to Deceive

In addition to Amarr's powerpoint presentation, Wayne-Dalton also attempts to seek injunctive relief against Amarr for advertisements (1) with pictures that include hands near the seams between two door panels, and (2) that include the phrases "pinch resistant DuraSafe technology," "exceed industry standards," "inspired by little things . . . little hands," and "neither fingers nor weather gets in." Wayne-Dalton's injunctive relief claim based upon all of these advertisements fails, however, because its evidence does not establish that Amarr's advertisements have a tendency to deceive customers.

Regarding the "tendency to deceive" requirement, the Sixth Circuit has made clear that "[a]lthough a plaintiff need not present consumer surveys or testimony demonstrating actual consumer deception, it must present evidence of some sort demonstrating that consumers were misled." *Podiatric Physicians*, 185 F.3d at 618 (evidence of confusion not sufficient to show that consumer was "tricked into believing an untruth about plaintiff"). *See also Herman Miller, Inc. v. Palazzetti Imports and Exports, Inc.*, 270 F.3d 298, 323-24 (6th Cir.

2001) (evidence of possible confusion not sufficient to show tendency to deceive).[6]

Wayne-Dalton attempts to sustain its burden to show a tendency to deceive by submitting evidence that in March of 2006, after Lowe's performed a review of its garage door vendors, it elected to begin selling more Amarr doors instead of Wayne-Dalton doors. Without providing any evidentiary support other than the fact of the presentation itself, Wayne-Dalton alleges that Lowe's made this choice based upon the powerpoint presentation Amarr exhibited to Lowe's. As discussed previously, this approximately 65-page presentation which promoted

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[6] Wayne-Dalton also argues that it offers circumstantial evidence which is sufficient to show a tendency to deceive, and that this evidence should allow the Court to grant summary judgment in Wayne-Dalton's favor. In support of this argument, Wayne-Dalton cites *Max Daetwyler Corp. v. Input Graphics, Inc.*, 608 F. Supp. 1549 (E.D. Penn. 1985). In *Daetwyler*, the court refused to grant summary judgment on the plaintiff's claim for injunctive relief where the plaintiff had failed to submit consumer surveys which proved actual deception. 608 F. Supp. at 1553-54. The court explained that "it may be possible to satisfy a factfinder that consumers have been deceived or are likely to be deceived by means other than a survey." *Id.* at 1553. In addition, the court stated in dicta that "there may be a basis upon which a plaintiff may obtain injunctive relief without presenting any evidence regarding the reactions of consumers to the representations made by the defendant." Whatever the merits of this statement of possibility (notwithstanding the use of the word "may" and the fact that such pontification was not central to the court's holding), the Sixth Circuit has made clear that in a claim for false advertising, even one seeking injunctive relief, "[a]lthough plaintiff need not present consumer surveys or testimony demonstrating actual deception, it must present evidence of some sort demonstrating that consumers were misled." *Podiatric Physicians*, 185 F.3d at 618. Wayne-Dalton has not done so in this case.

numerous reasons Amarr thought Lowe's should choose its doors, Amarr represented on four pages that its entire line of doors were "pinch resistant."[7] (Doc. No. 136, Ex. I at A2685, A2686, A2693, A2708.) In Wayne-Dalton's view, it is reasonable to infer that Lowe's chose to sell more of Amarr's doors instead of Wayne-Dalton's doors based upon the portion of the powerpoint presentation indicating that Amarr's doors were "pinch resistant." Wayne-Dalton's entire theory of all of Amarr's advertisements' tendency to deceive rests upon this inference. Wayne-Dalton does not offer any evidence that any of the other Amarr advertisements (those other than the powerpoint presentation) deceived Lowe's into purchasing Amarr's doors. It does not offer any testimony that Lowe's used any of the advertisements as a basis upon which it decided to use Amarr doors. Nor does it offer any evidence that anyone from Lowe's ever even saw these advertisements. It bases its entire argument regarding the tendency of Amarr's advertisements to deceive customers upon the temporal proximity of the powerpoint presentation to Lowe's decision to sell more Amarr doors instead of Wayne-Dalton

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[7] It should be noted that while Wayne-Dalton now relies upon this evidence to show a tendency to deceive, it did not argue at summary judgment regarding its claim for damages that such evidence illustrated the actual consumer deception required to sustain a claim for damages based upon false advertising. Wayne-Dalton's position then was that it need not show any deception because it had proved literal falsity. Additionally, Wayne-Dalton did not argue in response to Amarr's motion for summary judgment that it had sufficient evidence of actual deception to sustain a prima facie case. Nor did it do so in its motion for reconsideration. Its position was that it did not have to show such evidence. The Court rejected Wayne-Dalton's position and found that it was required to show actual deception, and because it had not offered any such evidence, summary judgment was warranted.

doors. Thus, as an initial matter, any claim based upon the advertisements other than the powerpoint presentation must fail for lack of any proof of tendency to deceive.

Additionally, the Court finds that Wayne-Dalton has failed to carry its burden with regard to the powerpoint presentation. The Sixth Circuit distinguishes the requirement of showing a tendency to deceive when seeking injunctive relief from the actual consumer deception that must be shown to recover damages for false advertising. This distinction recognizes that evidence of actual consumer deception is often difficult to obtain, and may require elaborate consumer surveys that may or may not suffice. *See Balance Dynamics*, 204 F.3d at 692; *Johnson & Johnson-Merck Consumer Pharm. Co. v. Rhone-Poulenc Rorer Pharm., Inc.*, 19 F.3d 125, 137 (3d Cir. 1994). In this case, however, consumer reaction evidence would not be difficult to obtain. The sole customer that Wayne-Dalton alleges was deceived is Lowe's, a current customer of both parties that surely was available to provide discovery. Wayne-Dalton chose not to submit any evidence of how any Lowe's personnel viewed the advertisement or whether they were "tricked into believing an untruth" by the advertisements. Without this evidence, the only direct evidence in the record of how any consumers interpreted the "pinch resistant" advertisements is that of the dealers Amarr presented who understand "pinch resistant" to mean "safer than traditional garage doors with regard to finger and hand pinching." Thus, contrary to Wayne-Dalton's position, the record does not support the conclusion that Lowe's was deceived by the advertisements. (Doc. No. 30, ¶5; Doc. No. 32, ¶ 5.)

Despite the complete lack of direct evidence, Wayne-Dalton argues that the tendency of the advertisements to deceive is illustrated by Lowe's decision to purchase more of Amarr's doors following Amarr's powerpoint presentation advertising them as "pinch resistant." While using broad language in describing the requirement as merely showing a "tendency to deceive," the Sixth Circuit has nevertheless been skeptical of such claims when they are based on highly speculative evidence of alleged tendency to deceive.

In *Miller*, 270 F.3d at 323, Herman Miller, a furniture company, sued Palazzetti Imports and Exports, another furniture company, claiming in part that Palazzetti's advertisement of its chairs was misleading and could cause customers to believe Palazzetti was offering original chairs produced by Herman Miller. Herman Miller produced evidence of two customer letters to Palazzetti referring to the chairs by the Herman Miller's chair's name, and testimony of a Herman Miller employee who was asked by a customer whether Herman Miller's chair was the same as one the customer had seen in Palazzetti's showroom. *Id.* The district court granted judgment as a matter of law on the false advertising claims due to lack of evidence of deception or tendency to deceive, and the Sixth Circuit affirmed. The court explained that, where the evidence gave no indication whether the consumers thought they had actually purchased original items rather than reproductions, the evidence, at best, showed some confusion among three customers but failed to show that consumers were actually deceived by the advertising or that the advertisements had a tendency to deceive consumers. *Id.* at 323-34. *See also Podiatric Physicians*, 185 F.3d at 618 (affirming

district court's denial of injunctive relief because, although letters suggesting confusion provided "some evidence of deception generally, [the evidence] does little to prove that [. . .] the entities plantiffs claims are its Lanham Act consumers were deceived by the [defendant's] statements"). The Sixth Circuit's decisions make clear that courts should avoid enjoining parties from advertising their products merely because they used ambiguous language where the evidence does not show that such language has a tendency to deceive consumers. *See Miller*, 270 F.3d at 323; *Podiatric Physicians*, 185 F.3d at 618.

As in *Podiatric Physicians* and *Miller*, the Court finds that Wayne-Dalton's evidence does not show that Amarr's advertisements tended to deceive Lowe's or any other customer into purchasing Amarr doors. In fact, the record is replete with evidence of Lowe's dissatisfaction with Wayne-Dalton's poor customer service (Doc. No. 105, Exs. 1, 3, 5, 7, 9, 12, 13, 16, 17, 20, 22, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36 [8], 38 [9], 39 [10], 41, 44, 45 [11], 47 [12]) and

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[8] In this e-mail, a Lowe's area installation manager wrote "we are having a lot of problems . . . with Wayne-Dalton and that is the main reason sales are down. I explained the situations we are running into with Wayne Dalton and their lack of good customer service."

[9] In this e-mail, one Wayne-Dalton executive tells another "It is obvious that Lowes could care less [sic] about differet ion [sic] of product – they cannot sell [. . .] pinch resistance or free foam stop. We must begin to think based on what Lowes [sic] is doing or the direction they are headed vs. where we have been."

[10] In this e-mail, Wayne-Dalton's president wrote regarding Lowe's decision following the line review that he thought Lowe's blamed Wayne-Dalton and Holmes, another garage door manufacturer, for the poor reaction to Lowe's installation

admissions of Wayne-Dalton executives indicating that Lowe's chose to increase Amarr sales instead of Wayne-Dalton sales due to Amarr's better capabilities to perform certain types of installations. (Doc. No. 140, Ex. C at 102-03; Doc. No. 105, Ex. 39.) This transforms what is, in isolation, a very weak inference of a tendency to deceive supported by highly circumstantial evidence into a wholly unreasonable one. Placed in proper context, Lowe's decision to purchase more Amarr doors in lieu of Wayne-Dalton doors is explained fully by factors unrelated to the allegedly deceptive advertising. Under the circumstances, any inference that Lowe's was somehow deceived into choosing Amarr doors over Wayne-Dalton doors based solely on the temporal proximity of Amarr's presentation with Lowe's decision to buy the doors is wholly speculative and unreasonable.[13]

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programs, and that "the only program that looked good or carried no scars was Amarr" which offered advantages to its installations over Wayne-Dalton's.

[11] This exhibit is an e-mail from Lowe's merchandise director telling Wayne-Dalton executives, "I am seeing an [sic] large disparity in the level of service between WD and other vendors that provide a more dense coverage [of territory managers]."

[12] This exhibit is an e-mail from a Wayne-Dalton executive explaining, "Lowes cited the Amarr install lead times as one of the reasons they were switching to them."

[13] Indeed, even if Lowe's chose to buy the doors because they were advertised as pinch resistant, Wayne-Dalton has presented no evidence that Lowe's understood pinch resistant to mean the doors would not allow a person to intentionally insert a fingertip between the door's sections.

Because Wayne-Dalton does not offer even a mere scintilla of evidence of the tendency of Amarr's advertisements to deceive Lowe's or any other consumer, none of the advertisements provide the basis for granting Wayne-Dalton injunctive relief. *Podiatric Physicians*, 185 F.3d at 618. *See also Pizza Hut v. Papa John's Int'l*, 227 F.3d 489, 503-04 (5th Cir. 2000) ("To prove a tendency to deceive, plaintiffs need to show that at least some consumers were confused by the advertisements.").

1. Equitable Considerations Do Not Warrant a Permanent Injunction

Beyond failing to show success upon the merits, the Court also finds that Wayne-Dalton has not shown that the Court should exercise its equitable discretion to issue a permanent injunction. After Wayne-Dalton filed this lawsuit, it issued press releases detailing its claims of false advertising. It sent them to Amarr customers, and posted them on its website. In addition, a Wayne-Dalton representative met with a representative of Lowe's. Despite this publicity surrounding Wayne-Dalton's allegations that Lowe's was deceived by Amarr's advertisements, Lowe's has continued to purchase and resell Amarr's doors. Meanwhile, Amarr has told its dealers and customers to cease advertising its doors as "pinch resistant" so as to avoid further litigation. Where Amarr has voluntarily ceased the attacked advertisement, the Court finds that a remedy at equity is unwarranted. *See Iams Co. v. Nutro Prods.*, No. 3:00CV566, 2004 U.S. Dist. LEXIS 15134 at *17-18 (S.D. Ohio July 3, 2004) ("Equity will not enjoin conduct which has been voluntarily terminated and where there is no threat of resumption."). Indeed, although Amarr has long

since stopped advertising its doors as pinch resistant and Wayne-Dalton notified Lowe's of the alleged false advertising, Lowe's continues to purchase Amarr's doors. This fact undermines the argument that Lowe's continues to be deceived by Amarr's allegedly false advertising, such that Wayne-Dalton continues to suffer an injury which cannot be compensated by damages if Wayne-Dalton adequately proved such a claim. Further, although Wayne-Dalton demands an injunction ordering Amarr to send out notices to all of its customers that its doors may fail the DASMA 116 standard (a standard both the Court and DASMA previously recognized as ambiguous), DASMA amended, or at least clarified, the DASMA 116 standard after Amarr last advertised its doors as pinch resistant. Thus, any injunctive relief requiring corrective advertising regarding DASMA 116 would be confusing and would not serve the purposes of equity. Thus, Wayne-Dalton has not shown that a permanent injunction is warranted in this case.

IV. CONCLUSION

For the foregoing reasons, Amarr's brief in opposition to Wayne-Dalton's requests for permanent injunctive relief (Doc. No. 171), construed as a motion for summary judgment, is hereby **GRANTED**. Wayne-Dalton's brief on injunctive relief (Doc. No. 172), construed as a motion for summary judgment, is **DENIED**.[14]

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[14] In a judgment entry filed contemporaneously with this memorandum opinion and order, the Court enters final judgment on the claim for false advertising and certifies the issue for appeal.

IT IS SO ORDERED.

Dated: August 14, 2008

/s/ Sara Lioi

UNITED STATES DISTRICT JUDGE

[Entered: August 14, 2008]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

WAYNE DALTON CORP., PLAINTIFF,	)	CASE NO. 5:06CV01768
	)	JUDGE SARA LIOI
vs.	)	JUDGMENT ENTRY
AMARR COMPANY, DEFENDANT.	)	

For the reasons set forth in the Memorandum Opinions filed on January 23, 2008 (Doc. No. 156), April 28, 2008 (Doc. No. 168), and contemporaneously with this Judgment Entry (Doc. No. 183), it is hereby **ORDERED, ADJUDGED** and **DECREED** that Defendant's Motions for Summary Judgment (Doc. Nos. 128 and 171) regarding Wayne-Dalton's claims for damages and injunctive relief due to alleged false advertising are **GRANTED**.

Having completely resolved the entire claim for false advertising (and stayed the patent portion of this case pending resolution of the reexamination proceedings before the United States Patent and Trademark Office), pursuant to Fed. R. Civ. P. 54(b)

the Court finds that there is no just reason for delay and enters final judgment on this claim.[1]

IT IS SO ORDERED.

Dated: August 14, 2008

/s/ Sara Lioi

UNITED STATES DISTRICT JUDGE

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[1] The Court bases its finding upon consideration of a number of factors. *See Akers v. Alvey*, 338 F.3d 491, 495 (6th Cir. 2003) (calling for some analysis prior to rendering an order final and appealable). First, the two claims are factually and legally independent and distinct. Second, if the initial holding of the PTO that Wayne-Dalton's patent is invalid is ultimately upheld, the patent portion of this case will cease. Third, Wayne-Dalton's false advertising claim should not be delayed solely because the PTO proceedings are ongoing regarding Wayne-Dalton's patent. *See Pittman v. Franklin*, No. 07-5376, 2008 U.S. App. LEXIS 13563, at *32-33 (6th Cir. June 24, 2008).

[Entered: April 29, 2008]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

WAYNE DALTON CORP., PLAINTIFF,	)	CASE NO. 5:06CV01768
	)	JUDGE SARA LIOI
vs.	)	MEMORANDUM OPINION AND ORDER
AMARR COMPANY, DEFENDANT.	)	

This matter comes before the Court upon the motion of Plaintiff Wayne-Dalton Corp. ("Wayne-Dalton") for reconsideration of the Court's January 23, 2008, opinion granting Defendant Amarr Company ("Amarr")'s motion for summary judgment as to Wayne-Dalton's ability to recover damages on its false advertising claim. (Doc. No. 156.) For the reasons that follow, Wayne-Dalton's motion for reconsideration is hereby **DENIED**.

I. FACTUAL AND PROCEDURAL BACKGROUND

The facts surrounding this case are set forth in the Court's January 23, 2008 Memorandum Opinion and Order, and will not be reiterated in detail herein. Wayne-Dalton and Amarr both

manufacture garage doors. Both are members of the Door and Access Systems Manufacturers Association ("DASMA"). DASMA adopts voluntary safety standards "as a guide to aid the manufacturer, the consumer and the general public." (Standard for Section Interfaces on Residential Garage Door Systems, Doc. 134, Ex. C, Ex. 2.) One such standard, DASMA 116, attempts to test whether a garage door is "pinch resistant" by testing whether a "finger probe" is likely to be pinched by the garage door as the door moves on its track.

Wayne-Dalton brought a claim for false advertisement in violation of 15 U.S.C. § 1125. Wayne-Dalton contended that Amarr falsely advertised Amarr's doors as "pinch resistant." The Court granted Amarr's motion for summary judgment on Wayne-Dalton's claim for damages because Wayne-Dalton failed to offer any evidence of actual consumer deception and because the claim was barred by the doctrine of laches. Wayne-Dalton argued that it was not required to provide such evidence of actual deception because Amarr's advertisements, in Wayne-Dalton's view, were

literally false.[1] The Court found, pursuant to prevailing Sixth Circuit authority, that claiming the doors were "pinch resistant" was ambiguous as a matter of law, and, therefore, incapable of literal falsity. Accordingly, because Wayne-Dalton admitted that it had no evidence of actual consumer deception, the Court granted Amarr's motion for summary judgment on Wayne-Dalton's ability to recover damages for false advertising. The Court also found that Wayne-Dalton had constructive knowledge of the alleged false advertising over two years prior to filing suit and could not sustain the accompanying burden of persuading the Court that laches did not bar the claim. Wayne-Dalton now moves for reconsideration of the Court's decision.

II. STANDARD OF REVIEW

The Federal Rules of Civil Procedure do not provide for motions for reconsideration. Nonetheless, district courts have "inherent powers to reconsider interlocutory orders and reopen a part of a case before entry of a final judgment." *Mallory v. Eyrich*, 922 F.2d 1273, 1282 (6th Cir. 1991). Motions for reconsideration are not substitutes for appeals nor

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[1] The Court notes that, even if the Court had found that Amarr's advertisements were capable of literal falsity, it is not at all clear that Wayne-Dalton would be able to defeat summary judgment on its claim for damages. *See Balance Dynamics Corp. v. Schmitt Industries*, 204 F.3d 683, 694 (6th Cir. 2000) (rejecting claim for marketplace damages based purely on literal falsity of advertisement and explaining that "[t]he 'literal falsity' rule has never permitted a plaintiff to recover marketplace damages without other proof that such damages occurred").

are they vehicles whereby a party may present arguments inexcusably omitted in prior proceedings. *Karr v. Castle*, 768 F. Supp. 1087, 1093 (D. Del. 1991), *citing Brambles U.S.A., Inc. v. Blocker*, 735 F. Supp. 1239, 1240-41 (D. Del. 1990). "The major grounds justifying reconsideration of interlocutory orders are an intervening change of controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice." *Reich v. Hall Holding Co.*, 990 F. Supp. 955, 965 (N.D. Ohio 1998), *citing Petition of United States Steel Corp.*, 479 F.2d 489, 494 (6th Cir. 1973). The motion for reconsideration must demonstrate to the Court why it should reconsider its decision and set forth strongly convincing facts or law which would induce it to reverse its prior holding. *Shields v. Shetler*, 120 F.R.D. 123, 126 (D. Colo. 1988). A motion for reconsideration that presents no arguments that have not already been raised should be denied. *See Backlund v. Barnhart*, 778 F.2d 1386, 1388 (9th Cir. 1985); *Cover v. Wal-Mart Stores, Inc.*, 148 F.R.D. 294, 295 (M.D. Fla. 1993).

III. LAW AND ANALYSIS

Wayne-Dalton first argues that the Court misconstrued its argument as to the meaning of "pinch resistant." Wayne-Dalton now claims that DASMA 116 "is not the advertising phrase in issue, but merely a tool that the trier of fact can use to determine whether the term 'pinch resistant' is literally false." (Mot. for Recons. 4.) Wayne-Dalton's repeated references to "pinch-resistant" meaning "DASMA 116-compliant" throughout this litigation belie any such assertion. These references are well

documented in Amarr's opposition to the motion for reconsideration (Doc. No. 161), but the Court specifically notes some of the particularly clear examples:

1. Wayne-Dalton's complaint alleges that Amarr's advertisement "communicates to consumers that at least the 'Weatherguard,' 'Classica,' 'Heritage,' and 'Stratford' brand garage doors made and sold by Amarr, and the 'private label' garage doors made by Amarr and sold by others, comply with Standard 116 of DASMA relating to pinch-resistant construction." (Doc. No. 1, ¶ 24.)

2. Wayne-Dalton's memorandum in support of its motion for preliminary injunction states, "In a society that has become increasingly safety conscious, the demand for pinch resistant doors, or those complying with DASMA 116, have increased significantly." (Doc. No. 10, 3.)

3. Wayne-Dalton's memorandum in support of its motion for preliminary injunction also explains, "John Scates, a member of the Technical Committee that developed DASMA Standard 116 (Scates Declaration, Par. 5), sets forth in his Declaration with attached exhibits, the requirements for a garage door to be considered "pinch resistant"

and thereby to be one that "conforms to the requirements of DASMA 116." (*Id.* at 15.)

4. Wayne-Dalton's motion for summary judgment claims, "DASMA 116 sets out the standard for a 'pinch resistant' garage door." (Ptf.'s Mot. for Summ. J., 5.)

Indeed, Wayne-Dalton submitted multiple affidavits to support its claim that "pinch resistant" means DASMA 116-compliant. *See* (Bennett Dec., Doc. No. 10, ¶ 14); (Scates Dec., Doc. No. 10, ¶ 6.) Wayne-Dalton repeatedly argued that a trier of fact could discern that Amarr's doors were not pinch resistant because they allegedly failed to comply with DASMA 116. It now argues that it can remedy the ambiguity in the term "pinch resistant" by withdrawing the only definition it offered for the phrase. Such after-the-fact arguments are not appropriate for a motion for reconsideration, and, again, are belied by Wayne-Dalton's repeated insistence that pinch resistance equated to DASMA 116 compliance. Accordingly, the Court finds Wayne-Dalton's claim that the Court misconstrued its argument unpersuasive.

Wayne-Dalton also argues that the Court should have left the determination of the clarity of "pinch resistant" to a jury. Wayne-Dalton argues that the "term 'pinch resistant' has a connotation of its own that is capable of determination by a jury," and on that basis the Court should have denied Amarr's motion for summary judgment. (Doc. 164, 2.) It similarly argues that the Court should reconsider its decision because the issue of whether DASMA 116 is ambiguous is one for the jury. These arguments disregard Sixth Circuit precedent which explains that, in analyzing a false advertising claim, a Court must first determine whether the statements at issue *may be* determined literally false before submitting them to the factfinder to determine whether they *are* literally false in light of the facts of the case. *See Podiatric Physicians*, 185 F.3d at 615 n.2 ("[T]he initial determination concerning whether a statement is ambiguous is a matter of law, while the determination as to whether facts exist so as to justify the statement is a question of fact."). The question of the ambiguity of the statements is one of law, for the Court to decide. This Court thus performed its judicial duty -- deciding matters of law -- when it found that the statements at issue in this case and DASMA 116 itself, like the many statements found ambiguous in *Podiatric Physicians*, are ambiguous as a matter of law. *See Podiatric Physicians*, 185 F.3d at 616 (finding ambiguous the claim that a medical board is "professionally recognized" and asking, "To be 'professionally recognized,' must the [board] be

recognized by most podiatrists? Most people in the medical profession? Some podiatrists?").[2]

Wayne-Dalton also offers the newly adopted DASMA standard as new evidence that should, in its view, warrant the Court's reconsideration of the summary judgment decision. DASMA has apparently preliminarily adopted a new DASMA 116 standard. This new standard includes a clarification of what it means to "admit" a finger probe into the pinch point areas between the section interfaces of a garage door. The definition of "admit" also clarifies, via a convenient graphic illustration, the reference plane to be used when conducting the test. This new evidence only further supports the Court's conclusion that the prior DASMA 116 test, to which

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[2] Indeed, as Wayne-Dalton appears to now concede that "pinch resistant" does not necessarily mean "DASMA 116-compliant," it is not clear how a jury could determine whether a door was literally "pinch resistant." What does it mean to "resist" pinching? Must a door "resist" pinching both adults' fingers and childrens' fingers? Only fingers but not shirt sleeves? Is the door "pinch resistant" because it avoids *being* pinched due to its flat panels? Wayne-Dalton has no answer for these questions and instead believes that the Court must leave the issue for the jury to discern. This claim disregards the Sixth Circuit's approach to literal falsity in *Podiatric Physicians*, and fails as a matter of law.

Amarr's doors were to be subjected under Wayne-Dalton's claim, was ambiguous.[3]

Accordingly, the Court finds that its prior decision granting summary judgment due to a lack of evidence of actual consumer deception was not a manifest injustice or clear error. Indeed, it was compelled by an extensive review of the briefs, the evidence of record, and the relevant case law.[4]

Wayne-Dalton also argues for reconsideration because the Court issued its decision on the motions for summary judgment prior to holding the oral argument the Court had scheduled. The Court did originally schedule an oral argument on the motion for summary judgment regarding Amarr's laches

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[3] Wayne-Dalton also argues that new evidence in the record, a lawsuit filed in New York alleging that a woman's fingers were injured by a door made by Amarr, warrants reconsideration by this Court. Nothing has been proven in that suit yet, and even if it was proven, it does nothing to advance Wayne-Dalton's claims in this case.

[4] Even after Wayne-Dalton has had two more bites at the proverbial apple via its motion for reconsideration and reply (in which it has now attempted to retreat from the argument it made consistently throughout this litigation that a door's pinch resistance is measured by its compliance with DASMA 116), it still has yet to provide a clear definition for "pinch resistant." Merely arguing that the Court should view the "entire mosaic" of Amarr's advertisements with no regard for whether such advertisements convey a clear message capable of an objective determination of literal falsity is insufficient under Sixth Circuit precedent. See Podiatric Physicians, 185 F.3d at 614-616 (evaluating each individual statement in a letter to determine whether it is capable of actual falsity and requiring evidence of actual deception where even one clause of a sentence was ambiguous).

argument (Minutes of October 10, 2007 telephone conference), and then rescheduled it to address all of the pending motions for summary judgment. (Doc. Nos. 135 & 152.)

Local Rule 7.2(b) provides, "In those cases in which a summary judgment motion is pending, the Judicial Officer may consider scheduling the case for oral argument." The rule provides the Court with appropriate discretion to hear or not hear oral argument regarding dispositive motions. *See also Schentur v. United* States, 1993 U.S. App. LEXIS 22060, at *15 (6th Cir. 1993) (affirming that "district courts may dispense with oral argument on motions for any number of sound judicial reasons"); *Yamaha Corp. v. Stonecipher's Baldwin*, 975 F.2d 300 (6th Cir. 1992) (the Federal Rules of Civil Procedure and Sixth Circuit precedent support the legitimacy of local rules that vest courts with discretion regarding oral argument on dispositive motions).

In its discretion, the Court chose to forego the benefit of oral argument and decide the motions upon the briefs themselves. Notably, the scheduled event was an oral argument, not an evidentiary hearing or other opportunity to submit evidence other than what had already been provided in the nine (9) briefs the parties submitted regarding summary judgment on the false advertising claim (in addition to the three (3) previously filed briefs regarding Wayne-Dalton's motion for a preliminary injunction). The Court acknowledges that it could have explicitly stated in its Memorandum Opinion and Order that it had chosen to decide the motions without the benefit of oral argument. The Court was

not, however, required to do so. In addition, Wayne-Dalton could not possibly have "relied upon" the scheduling of the argument, as it claims, because it was able to exhaustively brief the issues and submit all of its evidence regarding the false advertising claim.[5] Nor, as Wayne-Dalton contends without any authority to support its argument, is holding an oral argument required in order to allow Wayne-Dalton to "perfect the record for appeal." Wayne-Dalton was given the opportunity to, and in fact did, make over 100 pages of argument on this single cause of action prior to the Court rendering its summary judgment opinion.[6] The oral argument was scheduled merely as a benefit to the Court should it, in its discretion, decide to hear such argument. Accordingly, the Court finds Wayne-Dalton's argument unavailing.

Finally, Wayne-Dalton argues that the Court should reconsider its decision that the false advertising claim is also precluded by the doctrine of

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[5] Wayne-Dalton submitted each of the following briefs with evidence and argument on the motions for summary judgment regarding the false advertising claim: Opposition to motion for summary judgment (Doc. No. 58); Motion for summary judgment on the issue of Amarr's liability for literal false advertising (Doc. No. 134); Opposition to motion for summary judgment (Doc. No. 139); and Reply (Doc. No. 146). These were in addition to Wayne-Dalton's two briefs with evidence regarding its motion for a preliminary injunction. *See* Brief in Support of Motion for preliminary injunction (Doc. No. 10); Reply brief to Amarr's brief in opposition to plaintiff's motion for preliminary injunction (Doc. No. 42).

[6] The Court again reiterates that it scheduled an oral argument, not an evidentiary hearing, so Wayne-Dalton knew it would not be permitted to submit further evidence into the record at the oral argument.

laches. The Court found that Wayne-Dalton had constructive knowledge of the alleged false advertising over two years prior to filing this suit, and could not overcome the presumption that laches barred its claim. Wayne-Dalton makes the same two arguments in the motion for reconsideration that the Court rejected in its summary judgment opinion.[7] Because Wayne-Dalton simply rehashes arguments the Court previously rejected, denial of the motion for reconsideration on this ground is appropriate. *See Backlund*, 778 F.2d at 1388; *Cover*, 148 F.R.D. at 295. The evidence Wayne-Dalton cites in support of its motion for reconsideration was considered in the Court's January 23, 2008 Memorandum Opinion and Order, so it is not "new evidence" which would warrant reconsideration. Wayne-Dalton also has not

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[7] Wayne-Dalton first claims that it had no actual knowledge of Amarr's false advertising prior to July of 2004. This argument, as the Court explained in the January 23, 2008 Memorandum Opinion and Order disregards the fact that constructive knowledge may support a finding of laches. *See Nartron Corp. v. ST Microelectronics Inc.*, 305 F.3d 397, 408 (6th Cir. 2002). *See also Comerica Bank v. Suburban Trust & Sav. Bank*, No. 95-1551, 1996 U.S. App. LEXIS 26778, *20 (6th Cir. Oct. 10, 1996) (Constructive knowledge is "imputed when one by exercise of reasonable care would have known a fact."). Wayne-Dalton's second argument is that Amarr changed the design of its doors between 1999, when Wayne-Dalton had first found Amarr's doors in compliance with DASMA 116, and 2005, when Wayne-Dalton allegedly learned for the first time of the false advertising. According to Wayne-Dalton, this alleged change provides an excuse for failing to timely bring suit. The evidence Wayne-Dalton cites to support this argument is an Amarr advertisement with a copyright date of 2003, which does nothing to aid Wayne-Dalton's argument that it did not have constructive knowledge prior to July of 2004. Thus, as it did in its summary judgment opinion, the Court finds Wayne-Dalton's argument unpersuasive.

shown that the Court's decision was a manifest injustice or clear error. It has thus failed to show that this Court should reconsider its prior decision.

IV. CONCLUSION

Ultimately, Wayne-Dalton failed to secure evidence of actual consumer deception to support its false advertising claim, and it exhibited an inequitable delay in bringing the claim. It has not demonstrated to the Court that the January 23, 2008 decision should be altered. As such, Wayne-Dalton's motion for reconsideration (Doc. No. 157) is hereby **DENIED**.

Dated: April 29, 2008

/s/ Sara Lioi

UNITED STATES DISTRICT JUDGE

[Entered: January 23, 2008]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

WAYNE DALTON CORP., PLAINTIFF,	)	CASE NO. 5:06CV01768
	)	JUDGE SARA LIOI
vs.	)	MEMORANDUM OPINION AND ORDER
AMARR COMPANY, DEFENDANT.	)	

This matter came before the Court upon multiple motions for summary judgment, as follows:

(1) The motion of Defendant Amarr Company ("Amarr") for summary judgment as to the false advertising claim asserted by Plaintiff Wayne-Dalton Corp. ("Wayne-Dalton") (Doc. No. 48);

(2) Wayne-Dalton's cross-motion for summary judgment on the issue of the literal falsity of Amarr's advertisements (Doc. No. 134);

(3) Amarr's motion for summary judgment as to Wayne-Dalton's ability to recover damages for its false advertising claim (Doc. No. 128);

(4) Wayne-Dalton's motion for summary judgment on the issue of patent infringement (Doc. No. 126);

(5) Amarr's motion for summary judgment on the issue of patent infringement (Doc. No. 131); and

(6) Amarr's motion to stay the patent infringement claim pending the outcome of the PTO reexamination proceeding (Doc. No. 149).

Upon review of the memoranda and evidence submitted, the Court finds as follows:

(1) Amarr's Motion for Summary Judgment on the False Advertising claim is GRANTED, in part;

(2) Amarr's motion for Summary Judgment on Wayne-Dalton's inability to recover damages for its false advertising claim is GRANTED;

(3) Wayne-Dalton's Motion for Summary Judgment as to literal falsity is DENIED;

(4) Amarr's motion to stay the patent infringement claim is GRANTED; and

(5) Both parties' motions for summary judgment as to the patent infringement claim are DENIED WITHOUT PREJUDICE.

I. Factual and Procedural Background

Wayne-Dalton and Amarr both manufacture garage doors. Both are members of the Door and Access Systems Manufacturers Association ("DASMA"). DASMA adopts voluntary safety standards "as a guide to aid the manufacturer, the consumer and the general public." (Standard for Section Interfaces on Residential Garage Door Systems, Doc. 134, Ex. C, Ex. 2.) One such standard, DASMA 116, attempts to test whether a garage door is "pinch resistant."

Typically, when garage doors open and close, the section "interfaces" of the door rest together when the door is in either the vertical closed position or the horizontal open position, but separate from one another during the process of opening and closing due to the rounded turn. In the late 1990s, garage door manufacturers, including Wayne-Dalton and Amarr, researched ways to minimize the possibility of an individual's fingers becoming pinched between the interfaces of a garage door when those interfaces came apart and then together during the door's opening and closing. This research resulted, generally, in placing the interfaces closer together during angular articulation, such that fingers normally could not fit between the interfaces. Thereafter, Amarr and Wayne-Dalton began advertising their doors as "pinch-resistant."

Manufacturers seeking to mimimize finger pinching were faced with the challenge, though, of doing so while also avoiding the binding and popping that occurred when garage door panels were designed in a way which held them together without

any clearance between the panels during opening and closing the door. One solution manufacturers discovered was to offset the center hinges from the side hinges of the door.

Wayne-Dalton owns a patent to a sectional door with such offset hinges (although it does not manufacture a door using the patented technology), and it has brought this suit claiming that Amarr's WeatherGuard Plus door infringes its patent. Amarr maintains that its doors do not infringe Wayne-Dalton's patent, and that Wayne-Dalton's patent is invalid.

The Court held a *Markman* hearing on July 12, 2007, and then issued an opinion regarding the construction of the patent's claims. Further discovery was exchanged between the parties and the motions for summary judgment at issue were filed. During this period of time, the United States Patent Office ("PTO") granted Amarr's request for a reexamination of Wayne-Dalton's patent. The PTO has communicated its initial position that the claims at issue in this case are invalid. Amarr has since moved to stay Wayne-Dalton's patent claim in this Court pending the outcome of the PTO proceeding. Wayne-Dalton also asserts a separate claim that Amarr has falsely advertised its popular garage door models, including the WeatherGuard Plus, the Heritage, the Stratford, and the Classica doors, as "pinch-resistant" when they do not meet DASMA's alleged standard for pinch resistance. (Complaint, Doc. No. 1, 4.)

II. Law & Analysis

A. Standard of Review

This Court's consideration of the motion for summary judgment is governed by Rule 56 of the Federal Rules of Civil Procedure:

> (c) The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.

Id. The party opposing a motion for summary judgment made according to Rule 56 "may not rest upon the mere allegations or denials of the adverse party's pleading, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 56(e).

In reviewing summary judgment motions, this Court must view the evidence in a light most favorable to the non-moving party to determine whether a genuine issue of material fact exists. *Adickes v. S.H. Kress & Co.*, 398 U.S. 144 (1970); *White v. Turfway Park Racing Ass'n*, 909 F.2d 941, 943-44 (6th Cir. 1990). A fact is "material" only if its resolution will affect the outcome of the lawsuit. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). Determination of whether a factual issue is "genuine" requires consideration of the applicable

evidentiary standards. Thus, in most cases the Court must decide "whether reasonable jurors could find by a preponderance of the evidence that the [non-moving party] is entitled to a verdict." *Id.* at 252. Moreover, the non-movant must show more than a scintilla of evidence to overcome summary judgment. *Id.* In light of this standard, the Court considers the dispositive motions.

B. Choice of Law

Federal Circuit law applies to Wayne-Dalton's claim for patent infringement, while Sixth Circuit law applies to its claim for false advertising. *Optivus Tech., Inc. v. Ion Beam Applications*, 469 F.3d 978, 984 (Fed Cir. 2002) (applying law of the regional circuit in which the district court sits where the claim is not unique to the Federal Circuit's exclusive jurisdiction).

C. Lanham Act Claims

In its claim for false advertising, Wayne-Dalton alleges that Amarr falsely described its doors as "pinch resistant." According to Wayne-Dalton, "pinch resistant" means that a door complies with DASMA 116, a standard which calls for doors to either contain suitable handles or comply with certain tests to illustrate that a "finger probe" is

unlikely to be pinched by the garage door as it moves on its track.[1] In support of its position, Wayne-Dalton notes that DASMA's website claims that "A door qualifying as 'pinch resistant' is a door that conforms to the requirements of DASMA 116." (Doc. No. 134, Ex. C., Ex. 3.)

In response, Amarr has presented evidence that garage door dealers and consumers, Amarr's customers, do not understand "pinch-resistant" to

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[1] The DASMA test to be conducted, if the door lacks adequate handles, requires one to first "insert" the finger probe beyond a depth of .25 inches. Insertion is defined as "a minimum of .25 inches oriented as shown in Figure 1, moving the finger joints through their full range of articulations." Figure 1 fails to show what reference plane should be used to determine whether a finger probe has been inserted .25 inches. If the probe can be inserted beyond that depth, however, "the area(s) shall be subject to testing in Section 6.2. Section 6.2.2 then explains

> If the area(s) identified by [the finger probe] admits the full diameter of both Probe #2a [a metal rod measuring 0.35 inches in diameter] and Probe #2b [a metal rod measuring 1 inch in diameter], or rejects both Probe #2a and Probe #2b, at the position and orientation identified by [the finger probe], such area(s) shall be deemed compliant with this section and no further testing is required.

Thus, if the "area(s) identified" by the finger probe admit(s) or reject(s) only one of Probe #2a and #2b, but not the other, then the area is subject to the testing in Section 6.3. Section 6.3 requires a tester to hold different probes ranging from 3/8 inch to 1 inch in diameter in the area defined by the finger probe, and move the door into a position where the probe is most difficult to remove. The tester must then determine, using a pull force scale, the amount of force required to remove each probe. If the force required to remove each probe is more than 35 pounds, then the interface fails the test.

mean "complies with DASMA 116." This is supported by the fact that most consumers are unaware of the standards established by the manufacturers' association. (Declaration of Michael Miller, Doc. No. 32, ¶ 5; Declaration of Tony Price, Doc. No. 30, at ¶ 5.) Additionally, the Court notes that the definition of pinch resistant set forth in the patent differs from the DASMA 116 standard,[2] and the patent makes no reference to DASMA 116 (or to any provision of DASMA for that matter). (Doc. No. 142, Ex. 1, cl2, ln10-15.) Further, Wayne-Dalton tested Amarr's doors in 1999 and believed they complied with DASMA 116, but now Wayne-Dalton asserts that Amarr's doors do not meet the standard.

Even if DASMA 116 does control, the parties disagree as to the standard called for by DASMA 116. The dispute centers around what reference plane should be used when determining whether a probe is "admitted" or "rejected." Tellingly, DASMA has recently investigated the possibility of clarifying the DASMA 116 standard,[2] and a proposal which would include a graphic illustration of the reference plane to be used is currently under consideration.

i. Lack of Proof of Actual Deception

Wayne-Dalton's claim for false advertising arises under 15 U.S.C. § 1125, enacted as part of the Lanham Act. The statute provides, in relevant part:

> (a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in

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[2] The patent at issue in this case defines pinch resisitant as "maintaining a clearance or gap of less than 9 millimeters at all times during door movement."

> commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or fase or misleading representation of fact, which—
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities
>
> Shall be liable in a civil action by any person who believes that he or she is or is likely to be damages by such act.

15 U.S.C. § 1125(a)(1) & (a)(1)(B) (1994).

The Sixth Circuit has set forth five elements that Wayne-Dalton must establish to prove a violation of this statute: (1) Amarr has made false or misleading statements of fact concerning its own product or another's; (2) the statement actually or tends to deceive a substantial portion of the intended audience; (3) the statement is material in that it will likely influence the deceived consumer's purchasing decisions; (4) the advertisements were introduced into interstate commerce; and (5) there is some causal link between the challenged statements and harm to Wayne-Dalton. *American Council of Certified Podiatric Physicians and Surgeons v. American Board of Podiatric Surgery, Inc.*, 185 F.3d

606, 613 (6th Cir. 1999) (hereinafter "Podiatric Physicians").

To meet the first element, Wayne-Dalton must show that Amarr's advertisement was either literally false or that it is true yet misleading. *Id.* at 614. If statements are literally false, a violation may be established without evidence that the statements actually misled customers. *Id.* In such circumstances, actual deception is presumed.[3] By contrast, "[w]here statements are literally true, yet deceptive, or too ambiguous to support a finding of literal falsity, a violation can only be established by proof of actual deception (i.e., evidence that individual customers perceived the advertisement in a way that misled them about the plaintiff's product)." *Id.* Proof of actual deception requires demonstrating that a significant portion of the consumer population was actually deceived by the

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[3] Subsequent to Podiatric Physicians, the Sixth Circuit explained, "While literal falsehood or the likelihood of deception may be sufficient to entitle [plaintiff] to injunctive relief or reimbursement for responsive advertising, it should not permit [plaintiff] to recover for injuries to goodwill in the absence of some more substantial indication that these injuries actually occurred." *Balance Dynamics Corp. v. Schmitt Industries*, 204 F.3d 683, 694 (6th Cir. 2000). The Court need not determine whether Wayne-Dalton provides this "more substantial indication," as the Court finds the statements incapable of literal falsity and Wayne-Dalton's claim thus fails even under the *Podiatric* standard upon which it relies.

ambiguous or true-but-misleading statements. *Id* at 616.[4]

Cognizant of this standard, both parties have moved for summary judgment on Wayne-Dalton's claim for damages. Wayne-Dalton does not dispute that it offers no evidence that individual customers were misled by Amarr's advertisements. Instead, it claims the ads were literally false, so it need not show actual deception. Amarr argues that the ads were not literally false, and further that Wayne-Dalton cannot meet the corresponding higher standard for "true but misleading" because it has failed to produce any consumer surveys or other evidence to show that a substantial portion of the intended audience was deceived.

The Court must first determine whether the statements at issue may be determined literally false by a factfinder. *Podiatric Physicians*, 185 F.3d at 615 n.2 ("[T]he initial determination concerning whether a statement is ambiguous is a matter of law, while the determination as to whether facts exist so as to justify the statement is a question of fact"). If the statements are ambiguous, they can be true but misleading, but cannot be literally false. *Id.* Accordingly, if the statements are determined to be ambiguous, Amarr is entitled to summary judgment because Wayne-Dalton has not offered any evidence of actual deception. The Court considers statements

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[4] A different standard is used to evaluate a claim for injunctive relief. In such circumstances, a plaintiff may satisfy the second element of the Sixth Circuit's test by "showing only that the defendant's representations about its product have a tendency to deceive consumers." Balance Dynamics, 204 F.3d at 690.

in light of the intended audience, garage door dealers and consumers. *Id.* at 616.

Wayne-Dalton argues, citing DASMA's website as evidence, that the industry considers "pinch-resistant" doors to mean those doors that comply with DASMA 116. (Doc. No. 134, Ex. C, Ex. 3). In response, Amarr contends that (1) "pinch resistant" does not carry such a meaning to garage door dealers and consumers (Declaration of Michael Miller, Doc. No. 32, ¶ 5; Declaration of Tony Price, Doc. No. 30, at ¶ 5), (2) that both Amarr and Wayne-Dalton used the term "pinch resistant" in advertising in years prior to the development of DASMA 116 so the phrase does not (and cannot) only equate to DASMA 116 compliance (Doc. No. 140, Ex. C, 99-102; Ex. P), and (3) that DASMA 116 is susceptible to multiple expert interpretations and, therefore, is ambiguous. (Doc. No. 140, Ex. H, 13-17.)

The Sixth Circuit's opinion in *Podiatric Physicians* provides guidance in this area. In *Podiatric Physicians*, the Court examined a number of statements similar to the type at issue in this case and determined they were either ambiguous or true but misleading, such that the plaintiff was required to introduce evidence of actual deception to recover damages. Specifically, the Court found the statement that the American Board of Podiatric Surgery "is the only professionally recognized certifying board for podiatric surgery being recognized by the [Council on Podiatric Medical Education]" was one incapable of being literally false, explaining that "professionally recognized" was susceptible to multiple interpretations, and, therefore, was ambiguous. *Podiatric Physicians*, 185 F.3d at 615.

The Sixth Circuit also found the statement "there has been a proliferation of 'self-designated' organizations purporting to have the authority to recognize and certify in podiatric surgery" to be ambiguous. *Id.* The court explained that the most reasonable interpretation of "self-designated" was "not approved by another body." *Id.* It then detailed how the statement was capable of multiple interpretations, as the plaintiff could have been approved by another body, depending on whether one viewed the corporation which had created and approved plaintiff as an entity separate from the plaintiff. *Id.* Accordingly, the court determined that the statement was ambiguous. *Id.*

The court further found the statement that the American Board of Podiatric Surgery is "the only approved certifying board for podiatric surgery" to be ambiguous or true but misleading, determining that it was unclear what it meant to be an "approved" board. *Podiatric Physicians*, 185 F.3d at 615.

Comparing the statements considered by the Sixth Circuit in *Podiatric Physicians* to the statements at issue herein, the rejects Wayne-Dalton's assertion that advertisements declaring garage doors "pinch resistant" unambiguously means compliance with DASMA 116. The uncontroverted evidence shows that most consumers and dealers know little of DASMA and its voluntary safety standards, and do not correlate "pinch resistant" with "DASMA 116 compliant." (Mullet Dep., Doc. No. 140, Ex. C, 109; Miller Aff., Doc. No. 32, ¶ 5, Price Aff., Doc. No. 30, ¶ 5.) Moreover, both Wayne-Dalton and Amarr advertised their doors as pinch resistant long before the establishment of DASMA 116, so it strains credulity to suggest, as Wayne-Dalton does, that the phrase "pinch resistant" suddenly gained its

unambiguous meaning upon the creation of DASMA 116 in 2000. In addition, the patent at issue in this case provides its own separate definition of "pinch resistant:" "maintaining a clearance or gap of less than 9 millimeters at all times during door movement," which differs from the one set forth by DASMA 116. (Doc. No. 142, Ex. 1, cl2, ln10-15.) Accordingly, the Court finds that describing doors as "pinch resistant," is ambiguous as a matter of law, and Wayne-Dalton must demonstrate actual deception to sustain a claim for damages under 15 U.S.C. § 1125.[5]

Even if the term "pinch resistant" clearly conveyed the meaning "DASMA 116 compliant," the phrase still would be too ambiguous to support a finding of literal falsity because the test itself is ambiguous. The parties use different reference planes in determining whether a probe can be inserted .25 inches before being "accepted" or "rejected." DASMA itself has determined that the test needs clarification and the association has proposed changes which are currently pending. Indeed, John Scates, Wayne-Dalton's own expert, helped spur this clarification

[5] Although Wayne-Dalton spends nearly all of its briefing focused on Amarr describing its doors as "pinch resistant," Wayne-Dalton does also cite other Amarr advertisements as false, including (1) that Amarr's doors are "inspired by the little things . . . little hands," (2) that "neither fingers nor weather gets in," and (3) picturing a child or children in the proximity to the door along with one or more of the phrases Wayne-Dalton attacks. (WayneDalton's motion for summary judgment on the issue of literal false advertising, Doc. 134, 8.) Similar to advertisements that the doors are "pinch resistant, these advertisements do not reference DASMA 116 and do not unambiguously state as a matter of law that the doors are DASMA 116 compliant. Therefore, a claim for damages based on these advertisements also requires proof of actual deception.

when he responded to DASMA's request for comments on DASMA 116's effectiveness by stating

> Section 6.2.2 of DASMA 116 testing guidelines needs further clarification to define what "rejects both [probes]" means. How far can a probe enter before it is no longer "rejected"? What reference planes are to be used to determine the depth of insertion? Is this a static measurement, done at a single (undefined) articulation of the door? Does "rejects" mean that it will be pushed out during door movement? Perhaps the entire section 6.2 is unnecessary and should be removed."

(Doc. No. 140, Ex. B.)

Wayne-Dalton submitted a subsequent affidavit from Mr. Scates claiming that when he advised DASMA of his concerns that he was contemplating "various joint configurations," including "PAC-MAN"-like construction and that the Amarr doors he tested for Wayne-Dalton were not the stimulus for his comments to DASMA. Whatever his stimulus, the comments illustrate the point which DASMA has recognized: its test is subject to multiple interpretations. Scates admitted as much in his deposition, when he stated, "It is unclear, also, with the pinch-resistant as to what the reference plane is." (Doc. No. 140, Ex. A., 62.)

Accordingly, because the term "pinch resistant" is ambiguous as a matter of law, Wayne-Dalton must present evidence that a significant portion of the consumer population perceived the

advertisements in a way that misled them about Amarr's doors to sustain its claim for damages. *Podiatric*, 185 F.3d at 614. It is undisputed that Wayne-Dalton has failed to present any such evidence. Thus, Amarr is entitled to summary judgment on Wayne-

Dalton's claim for damages.

ii. Laches

Even if Wayne-Dalton prevailed in proving literal falsity, its claim for damages accruing prior to the filing of this suit would still fail due to the equitable doctrine of laches.[6] Unlike statutes of limitations, laches does not contemplate a concrete matter of time. It is instead a question of the inequity of allowing the claim to be enforced. *Ford v. Catalanotte*, 342 F.3d 543, 550 (6th Cir. 2003). A party asserting laches must show: (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting it. *Nartron Corp. v. ST Microelectronics Inc.*, 305 F.3d 397, 408 (6th Cir. 2002). In the Sixth Circuit, a strong presumption exists that a plaintiff's delay in asserting its claims is reasonable as long as it has done so within the analogous statute of limitations. *Elvis Presley Enters., Inc. v. Elvisly Yours, Inc.*, 936 F.2d 889, 894 (6th Cir. 1991). An action is presumed barred, however, if not brought within the statute of limitations. *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 365 (6th Cir. 1985). Under Ohio law, as both parties concede, the statute of limitations analogous to Lanham Act claims is two years. *See*

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[6] As discussed infra, under Sixth Circuit law, laches does not apply to post-filing damages or injunctive relief.

Ameritech, Inc. v. Am. Info. Tech. Corp., 811 F.2d 960, 963 (6th Cir. 1987); Ohio Rev. Code § 2305.10. The period of delay begins to run when Wayne-Dalton had actual or constructive knowledge of the alleged infringing activity. *Nartron*, 305 F.3d. at 408.

In this case, Wayne-Dalton cannot show a genuine issue of material fact as to whether it lacked diligence in pursuing its rights or whether Amarr suffered prejudice. The record demonstrates that Amarr has been advertising its doors as "pinch-resistant" since 1999. From 2000 to the present, Wayne-Dalton has run its own advertisements in the same issues of the publications in which it claims Amarr made false advertisements. (Doc No. 50, Attach. 1, 2, 3.) Moreover, Wayne-Dalton personnel have testified that Wayne-Dalton commonly monitors its competitors advertisements and tests their products. (Doc. No. 42, Ex. C, ¶¶ 5, 6, 10.) Accordingly, Wayne-Dalton cannot claim that its alleged lack of actual knowledge prevents laches from acting as a bar to its claim.

Wayne-Dalton argues that it cannot be charged with constructive knowledge because, until December 2005, it had no knowledge of at least one of Amarr's doors, the Classica, which allegedly was falsely advertised. Wayne-Dalton's argument misapprehends the standard of constructive knowledge. Constructive knowledge is "imputed when one by exercise of reasonable care would have known a fact." *Comerica Bank v. Suburban Trust & Sav. Bank*, No. 95-1551, 1996 U.S. App. LEXIS 26778, *20 (6th Cir. Oct. 10, 1996). Wayne-Dalton, pursuant to testimony from its own witnesses, had constructive knowledge of Amarr's alleged false advertising long before July of 2004 -- two years

prior to the filing of this lawsuit. Regardless of whether another falsely advertised door entered the market, Wayne-Dalton would have known through the exercise of reasonable care that Amarr was advertising its doors as "pinch resistant" in alleged non-compliance with DASMA 116 prior to July of 2004. In addition, Wayne-Dalton has failed to put forth any evidence to dispute Amarr's evidence that the Classica was advertised in early 2004. Because the undisputed evidence shows that the Classica door was advertised in early 2004 in a manner similar to that which gave Wayne-Dalton constructive knowledge of Amarr's other doors, Wayne-Dalton had constructive knowledge of the false advertisement of the Classica door more than two years prior to the filing of this lawsuit.

Because the Court finds that Wayne-Dalton failed to bring its claim for allegedly false advertising within the analogous two year statute of limitations, the delay is presumed unreasonable and prejudicial, and the claim is presumed barred. *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362, 366 (6th Cir. 1985). This presumption can be overcome by (1) rebutting the presumption of prejudice; (2) establishing a good excuse for the delay; or (3) showing that Amarr engaged in "particularly egregious conduct which would change the equities significantly in plaintiff's favor." *Nartron Corp.*, 305 F.3d at 409. Wayne-Dalton has failed to overcome the presumption by any of these means.

Wayne-Dalton offers no evidence to overcome the presumption of prejudice, as Amarr's potential damages have increased during each year that the advertisement was used. *See Nartron Corp.*, 305 F.3d at 411 (any prejudice is sufficient, including an

increase in potential damages or a loss of evidence). Wayne-Dalton also failed to establish a good excuse for the delay. Wayne-Dalton claims that it tested Amarr's doors in 1999 and found that they passed the DASMA 116 test, so its delay in bringing suit was excusable.[7] This argument is belied by the testimony of multiple Wayne-Dalton executives that they consistently test competitor's doors and monitor competitor's advertisements. Wayne-Dalton has not provided evidence suggesting that Amarr made changes to the design of the doors so they only began to fail DASMA 116 within the statute of limitations period.[8] Instead, the record shows that Wayne-Dalton had constructive knowledge of the advertisements prior to July of 2004, and regularly checked competitors' doors for compliance.[9]

The record also fails to reveal any "egregious conduct" on the part of Amarr. There is no evidence that Amarr tricked Wayne-Dalton into resting on its rights. Instead, both Amarr and Wayne-Dalton have

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[7] At that time, DASMA 116 was merely a proposal and had not yet been adopted.

[8] Wayne-Dalton merely cites Amarr's advertisements to speculate that Amarr changed the design of its doors. (Doc. 58, 8.) The advertisement Wayne-Dalton cites bears a date of 2003. Thus, Wayne-Dalton had notice of this alleged change prior to July 21, 2004, the effective date of the applicable two year statute of limitations.

[9] Wayne-Dalton's claims that its delay is excused by the fact that Amarr's CEO served as President of DASMA from 2002 to 2004 is similarly unavailing. The position of Amarr's CEO is of little relevance to whether Wayne-Dalton had constructive knowledge of Amarr's false advertising. If anything, it only heightened the profile of Amarr's doors and encouraged Wayne-Dalton to continue to monitor Amarr's advertising.

advertised their doors as pinch resistant in the same publications for several years. Accordingly, Wayne-Dalton's claim for pre-filing damages fails for two independent reasons. In addition to failing due to a lack of evidence of actual deception, there is no genuine issue of material fact that Wayne-Dalton's claim for pre-filing damages is barred by the equitable doctrine of laches.

iii. Injunctive Relief

Wayne-Dalton argues that, even if laches applies to this case, it does not bar injunctive relief or for its claim for post-filing damages. The Court has already ruled that Wayne-Dalton's claim for damages is subject to summary judgment for lack of actual deception. The claim for injunctive relief, however, survives.[10]

Amarr's only argument in support of summary judgment on the claim for injunctive relief is that it is barred by the doctrine of laches. In a recent case, like this one, involving claims under 15 U.S.C. § 1125, the Sixth Circuit held that, "Laches only bars damages that occurred before the filing date of the lawsuit. It does not prevent plaintiff from obtaining injunctive relief or post-filing damages." *Nartron Corp. v. STMicroelectronics*, 305 F.3d 397, 412 (6th Cir. 2002) (citing *Kellogg Company v. Exxon Corp.*, 209 F.3d 562, 568 (6th Cir. 2000) (also a claim under the Lanham Act)). *See also Morel Acoustic, LTD. V. Morel Acoustics USA, Inc.*, No. 04-CV-348, 2005 U.S. Dist. LEXIS 32864, at *8 (S.D. Ohio Sept. 7, 2005)

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[10] Because the sole remaining claim sounds in equity, not in law, it will be tried to the bench. *See City of Monterey v. Del Monte Dunes*, 526 U.S. 687, 713 (1999).

("Laches does not bar injunctive relief and does not bar damages that occur after the filing of the suit."); *Freed v. Farag*, 994 F. Supp. 887, 891 (N.D. Ohio 1997) (proclaiming in the context of a claim of trademark infringement under the Lanham Act, "Prospective relief in an infringement action is not barred by a finding of laches."). As other courts have recognized, the primary basis for the distinction is that "[l]aches stems from prejudice to the defendant occasioned by the plaintiff's past delay, but almost by definition, the plaintiff's past dilatoriness is unrelated to a defendant's ongoing behavior that threatens future harm." *Jarrow Formulas, Inc. v. Nutrition Now, Inc.* 304
F.3d 829, 840 (9th Cir. 2002).

Amarr cites to cases from the Ninth, Seventh, and Second Circuits for the proposition that laches can bar damages and equitable relief. Amarr's argument is foreclosed, however, by controlling Sixth Circuit precedent.[11]

D. Patent Infringement

Both parties have also moved for summary judgment on the patent infringement claim, and Amarr has moved for a stay. The patent at issue,

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[11] Amarr has represented in a footnote to one of its briefs that it has now voluntarily removed references to "pinch resistantce" from its advertising pending the adoption of the revised and clarified DASMA standard. (Doc. 140, 8 n7.) Thus, it would appear that Wayne-Dalton's claim for an injunction enjoining Amarr from distributing advertising relating to compliance with DASMA 116 would be moot. Wayne-Dalton, however, also prays for an order instructing Amarr to recall its advertising relating to DASMA 116 and an order instructing Amarr to publish corrective advertising. These claims are, therefore, not moot and may proceed.

U.S. Patent No. 6,640,872 B1 ("the '872 Patent") is one for a sectional door, ordinarily a garage door. Under Claims 1 and 25 of the patent, such a door has center hinges offset from the side hinges in order to maintain a clearance between adjacent panels.

Claim 1 states:

> A sectional door movable between a closed vertical position and an open horizontal position comprising, a series of adjacent panels, each of said panels having an upper joint member and a lower joint member, said lower joint member having a configuration to establish a clearance with the configuration of the upper joint member of an adjacent panel during angular articulation of said adjacent panels in moving between the closed vertical position and the open horizontal position, end hinge assemblies located proximate the longitudinal ends of said panels and connecting said adjacent panels at a first pivot axis, and at least one center hinge assembly connecting said adjacent panels at a second pivot axis offset from said first pivot axis, whereby a portion of said clearance is maintained irrespective of variations in the deflection of said panels in moving between the closed vertical position and the open horizontal position.

As both parties and the Court have previously recognized, Claim 25 is not substantively different

from Claim 1. (Memorandum Opinion and Order ("Markman Opinion"), Doc. No. 109.)

Wayne-Dalton is the patent's assignee, but the parties dispute who invented the subject matter of '872 Patent first. Amarr has produced evidence that it developed the method of offsetting the center hinges by May of 2001, and prepared and disseminated a formal instructional memorandum advising those in the field how to offset the hinges to create sustained clearance during angular articulation. Wayne-Dalton originally answered interrogatories claiming that its earliest date of invention was August of 2001 and that the invention was first disclosed on September 24, 2001. (Doc. No. 133, Ex. C.) Wayne-Dalton has since claimed that it invented the subject matter of the '872 Patent in February, 2001. (Doc. No. 143, 57-58; Doc. No. 143, Ex. 10, Ex. 3.) It is undisputed, however, that the '872 patent was issued on November 4, 2003.

After the Court held a *Markman* hearing and issued its decision, Amarr petitioned the United States Patent Office ("PTO") for a reexamination of the patent's validity. In the interim, the parties filed their respective motions for summary judgment. The patent office has since granted Amarr's reexamination request and has communicated its initial position that the claims at issue in this case are invalid due to obviousness under 35 U.S.C. 103(a). (Doc. No. 149, Ex. B, 4, 22.) After learning of the PTO's decision, Amarr immediately filed its motion to stay this litigation with regard to the patent infringement claim pending the outcome of the PTO proceeding. (Doc. No. 149.) Wayne-Dalton opposes the stay. (Doc. No. 153.)

Reexamination of patent validity is brought under 35 U.S.C. § 301 *et seq*. A reexamination may be requested by any person upon showing the existence of prior art, "consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent." 35 U.S.C. §§ 301, 302. The PTO must then determine within three months "whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications." 35 U.S.C. § 303(a). Reexamination, if granted, may result in an order cancelling the patent as unpatentable, amending the patent, or confirming the patent's validity. 35 U.S.C. § 282; *Akzenta Paneele + Profile GmbH v. Unilin Flooring N.C., LLC*, 464 F.Supp.2d 481, 483 (D. Md. 2006). The reexamination statute was enacted "to correct errors made by the government, to remedy defective governmental [] action, and if need be to remove patents that should never have been granted." *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985).

As the Federal Circuit has explained, Congress' intent in establishing the reexamination procedure was to provide a relatively quick and inexpensive resolution which would "allow courts to refer patent validity questions to the expertise of the Patent Office" and "reinforce investor confidence in the certainty of patent rights by affording the PTO a broader opportunity to review doubtful patents." *Patlex Corp.*, 758 F.2d at 602. Reexamination proceedings "facilitate trial of [an] issue by providing the district court with the expert view of the PTO." *Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed. Cir. 1983). Because of the "clear congressional

intent to maximize efficiency and reduce cost in this regard; [] district courts often stay patent proceedings pending reexamination." *Hewlett-Packard Co. v. Acuson Corp.*, No. C-93-0808 MHP, 1993 U.S. Dist. LEXIS 6449, at *4 (N.D. Cal. May 5, 1993). *See also ASCII Corp. v. STD Ent. USA, Inc.*, 844 F. Supp. 1378, 1381 (N.D. Cal. 1994) ("[T]here is a liberal policy in favor of granting motions to stay proceedings pending the outcome of USPTO reexamination or reissuance proceedings.") This Court has "inherent power to manage [its] docket and stay proceedings, including the authority to order a stay pending conclusion of a PTO reexamination." *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1426 (Fed. Cir. 1988.)

When deciding whether to issue a stay, Courts weigh multiple factors, including (1) whether a stay would unduly prejudice or present clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) the stage of the litigation at which the stay is sought. *Lincoln Elec. Co. v. Miller Elec. Mfg. Co.*, No 1:06CV2981, 2007 U.S. Dist. LEXIS 66340, at *3-4 (N.D. Ohio Sept. 7, 2007). A stay is justified when the "outcome of the reexamination would be likely to assist the court in determining patent validity and, if the claims were canceled in the reexamination, would eliminate the need to try the infringement issue." *Slip Track Sys., Inc. v. Metal Lite*, 159 F.3d 1337, 1341 (Fed. Cir. 1998).

In this case, the factors weigh in favor of a stay. The PTO has already expressed its view, subject to Wayne-Dalton's attempt to rebut that view, that the claims at issue in this case are invalid. A stay in this litigation will clearly simplify the

issues in question. If the patent office affirms its rejection of the claims, there will be no need for a trial in this Court, as one cannot infringe an invalid patent. If the PTO proceeding results in an amendment of the claims, it could inform this Court's ruling on summary judgment as to infringement. Indeed, even if reexamination of the patent affirms its validity, Wayne-Dalton will incur a benefit, not "undue prejudice." As the Federal Circuit has noted, patentees benefit from the reexamination proceedings when the patent's validity is affirmed, as the jury may be instructed that the PTO has held the claims patentable, thereby raising the Defendant's burden of proving unpatentability at trial. *Patlex Corp.*, 758 F.2d at 603 ("It is clearly appropriate that the jury be instructed that because the PTO has now held the claims in suit patentable in light of the additional art discovered by [Defendant], its burden of proof of unpatentability has become more difficult to sustain – a fact likewise to be taken into account by the trial judge."). A stay will also prevent the parties from being forced to prepare for and participate in a lengthy and expensive jury trial while simultaneously contesting these same issues in the PTO. Judicial economy also weighs against conducting such a trial, which could be simplified or eliminated by the pending PTO proceeding. *See Tap Pharm. Prods. v. Atrix Labs., Inc.*, 2004 U.S. Dist. LEXIS 2684, at *2 (N.D. Ill. March 4, 2004) (citing the PTO's statistics on reexamination and explaining "There is a significant chance that the PTO will either invalidate this patent or drastically decrease its scope.").

Admittedly, the parties have completed discovery in this action, which normally might weigh

in favor of proceeding to trial. Both sides have expended valuable resources on this litigation. This Court has not yet ruled, however, on summary judgment motions that may or may not resolve the case. The Court may benefit from the PTO's expert analysis. *Gould*, 705 F.2d at 1342. *See also Softview Computer Prods. Corp. v. Haworth, Inc.*, 56 U.S.P.Q. 2d 1633, at *10 (S.D. N.Y. Aug. 9, 2000). In addition, this is not a case where a party has sought a stay after a trial was already held. *See Viskase Corp. v. Am. Nat'l Can Co.*, 261 F.3d 1316, 1327-28 (Fed. Cir. 2001). While some courts have denied a stay based on the end of discovery and the proximity of trial, others have granted one. Ultimately, the determination is within the Court's discretion based on a weighing of the benefits and costs of issuing a stay. *Compare Toro Co. v. L.R Nelson Corp.*, 223 U.S.P.Q. 636, (C.D. Ill. July 25, 1984) (denying motion to stay where case had been dismissed on summary judgment, remanded on appeal, and then second summary judgment motion dispositive of case was pending); with *TDATA Inc. v. Aircraft Technical Publishers*, No. 2:03cv264, 2008 U.S. Dist. LEXIS 298, at *11 (S.D Ohio Jan. 4, 2008) (granting stay despite arising at the end of discovery where the reexamination would streamline the issues for trial). *See also Middleton, Inc. v. Minnesota Mining and Mfg. Co.*, No. 4:03CV40493, 2004 U.S. Dist. LEXIS 16812, at (S.D. Iowa Aug. 24, 2004) (granting motion to stay despite the fact that litigation had been pending for eight years because the scope of the reexamination and the technical expertise of the PTO indicated that the litigation would be aided by the PTO proceeding).

In addition, while some courts also look to whether the petition for reexamination was made for

a dilatory purpose in assessing the propriety of a stay, the timing of Amarr's motion to stay in this case is not a result of such tactics. *See Grayling Indus., Inc. v. Hittler*, No. 1:89-cv-451-ODE, at *2-3 (N.D. Ga. March 25, 1991); *Middleton, Inc.*, 2004 U.S. Dist. LEXIS 16812, at *26. Wayne-Dalton originally answered interrogatories claiming a date of conception of September, 2001. Amarr thus believed that its evidence that its date of conception in May, 2001, would invalidate Wayne-Dalton's patent as prior to Wayne-Dalton's claimed date of invention. Amarr learned later in discovery, however, that, despite its contrary answer to interrogatories, Wayne-Dalton was claiming a date of conception of February 2001. In addition, Amarr received the benefit of this Court's *Markman* opinion, which clarified that the patent's claims covered a broader range of subject matter than that being advanced by Amarr.[12] This interpretation and the knowledge that Wayne-Dalton was now asserting a date of conception prior to Amarr's prompted Amarr to file its request for with the patent office on the ground that the patent was

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[12] In the *Markman* opinion, this Court rejected Amarr's position that the term "one center hinge assembly connecting said adjacent panels at a second pivot axis offset from said first pivot axis" meant that a door's center hinges were only offset vertically below the pivot axis of the end hinges. Instead, the Court gave the referenced language its ordinary and customary meaning.

invalid. Immediately after learning of the PTO's decision, Amarr filed its motion to stay.[13]

Wayne-Dalton argues it will be unduly prejudiced by Amarr continuing to sell doors which allegedly infringe Wayne-Dalton's patent. There is no evidence to suggest, however, that Amarr does not have the financial resources to pay a judgment against it, even if that judgment includes damages that continue to accrue while the PTO proceeding is pending. Any detriment Wayne-Dalton suffers from the competition Amarr provides by allegedly infringing the patent can be remedied by money damages. Potential prejudice also is minimized by the fact that Wayne-Dalton does not sell doors under the patent at issue.

Wayne-Dalton further claims that this case is simple enough that the Court and the jury will not be aided by the technical expertise of the PTO. This assertion is belied by the complicated three-dimensional graphical images and engineering expert evidence currently in the record. Ultimately, the PTO proceeding can "provide valuable analysis to the district court which it could consider in reaching its determination" on the merits of this case, and the Court concludes that a stay is warranted. *Ethicon*, 849 F.2d at 1428. The Court will

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[13] Wayne-Dalton attempts to argue that Amarr's position is undercut by the position Amarr's counsel took in an unrelated case with respect to the stay of a reexamination proceeding after the district court in the parallel litigation had already entered judgment. Aside from the fact that the facts of that case are readily distinguishable from this one (there the case had already gone to trial and judgment had been entered), Wayne-Dalton disregards the time-honored maxim that a lawyer advocates on behalf of a client, and the views he or she espouses do not necessarily represent his or her own

thus stay the patent infringement claim pending the outcome of the PTO proceeding, and deny the motions for summary judgment regarding the patent infringement claim without prejudice to refiling when the stay is lifted following the resolution of the PTO reexamination proceedings.

III. Conclusion

In light of the foregoing discussion, the Court rules on the respective

motions as follows:

(1) Amarr's Motion for Summary Judgment (Doc. No. 48) is **GRANTED, in part**, and **DENIED, in part** and Amarr's Motion for Summary Judgment on plaintiff Wayne-Dalton Corp.'s inability to recover damages for its false and misleading advertising claim (Doc No. 128) is **GRANTED**. Specifically, summary judgment is granted as to WayneDalton's claim for damages for false advertising. The claim for injunctive relief remains.

(2) Wayne-Dalton's motion for summary judgment on the issue of Amarr's liability for literal false advertising (Doc. No. 134) is **DENIED**.

(3) Amarr's motion for stay of Wayne-Dalton's patent claim (Doc. No. 149) is **GRANTED**.

(4) Amarr's Motion for summary judgment on Wayne-Dalton's Patent Claim (Doc.

No. 131) and 's Motion for Summary Judgment of Infringement (Doc. No. 126) are **DENIED WITHOUT PREJUDICE**. These two motions relating to the patent infringement claim may be refiled when the stay is lifted following the resolution of the PTO reexamination proceedings.

IT IS SO ORDERED.

Dated: January 23, 2008

/s/ Sara Lioi

UNITED STATES DISTRICT JUDGE

United States Court of Appeals
for the Federal Circuit

2008-1585

WAYNE-DALTON CORP.,

Plaintiff-Appellant,

v.

AMARR COMPANY,

Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Ohio in case no. 5:06-CV-01768, Judge Sara Lioi.

ORDER

NOTE: This disposition is nonprecedential.

United States Court of Appeals
for the Federal Circuit

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on June 8, 2009.

FOR THE COURT,

Jan Horbaly
Clerk